BofA SECURITIES

Global Economic Weekly

SurvAIval of the fattest

14 August 2026

Economics
Global

Table of Contents

Claudio Irigoyen
Global Economist
BofAS
+1 646 855 1734
claudio.irigoyen@bofa.com

Antonio Gabriel
Global Economist
BofAS
+1 646 743 5373
antonio.gabriel@bofa.com

Global Economics Team
BofAS

See Team Page for List of Analysts

Global Letter: SurvAIval of the fattest

There is a common narrative floating in the market arguing that profits margins of S&P 493 companies that are heavily investing in AI are not improving, which makes the AI boom unsustainable. In our view, profit margins are neither a necessary nor sufficient statistic to determine if the investment in AI is economically convenient. Companies may invest to preserve market share, which means end consumers are the ultimate beneficiaries as they end up paying lower prices. From the perspective of the AI ecosystem, rents accrue to those who have a combination of stronger market power, fatter balance sheets, and own scare resources that cannot be easily commoditized

United States: AI capex is picking up steam

AI capex is and should continue to be a tailwind for growth. Hyperscalers' capex estimates continue to get revised higher and should rise again in 2027. The investment boom is generating positive second-order effects across the economy, i) through wealth effects, and ii) by boosting manufacturing production and employment in AI-related industries and data-center construction.

Euro Area: German industry – Defence to the rescue

German manufacturing grew in 2Q, but gains remain concentrated in defence-exposed sectors. Summer Rhine level headlines abound. We checked the data and still doubt this is a macro story, but select sectors, incl refineries, could be affected.

UK: Data preview – Core contained

Data once again will be examined to check if energy shock is feeding into persistent price pressures. We expect it not to- though headline inflation should rise, we don't expect a notable rise in core price pressures. We expect BoE on prolonged hold.

China: Oil import slump overstates demand weakness

China's crude oil import slump overstates the weakness in domestic demand. Import volumes fell 13% yoy in the first seven months of the year, but refinery throughput, a better measure of crude use, declined a more modest 8%.

Emerging EMEA: Türkiye – Reserve constraints easing

We estimate $33bn of net FX purchases by CBRT since June likely supported by tourism, returning inflows, and muted FX demand. With reserve pressures easing, the case for policy normalisation (with TLREF moving towards the 37%) has strengthened

Latin America: Brazil – Who is afraid of the big bad wolf?

Brazil won't run out of cash - it has enough to fund itself into 2027. The real story is how expensive borrowing is getting. The big buyers walked away: for every R$100 of new long bonds, price-driven investors bought just R$4. Someone must pay up. Auctions look calm, but it's a mirage: Brazil is quietly selling less long-term debt and leaning on short, floating bonds.

**The Global Economic Weekly will return on September 4th.*

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 26 to 27. 13008308

Timestamp: 14 August 2026 05:16AM EDT

Global Letter

Claudio Irigoyen
Global Economist
BofAS
claudio.irigoyen@bofa.com

Antonio Gabriel
Global Economist
BofAS
antonio.gabriel@bofa.com

SurvAIval of the fattest

Among the infinite number of questions the AI boom is raising, an important one is how to evaluate the benefits of investment in AI, both from the perspective of individual companies and for society at large. There is a common narrative floating in the market arguing that profits margins of S&P 493 companies that are heavily investing in AI are not improving or are even dropping, which makes the AI boom eventually unsustainable.

We take a different view and conclude that profit margins are neither a necessary nor a sufficient statistic to determine if the investment in AI is economically convenient. Companies may invest to preserve market share, which means end consumers are the ultimate beneficiaries as they end up paying lower prices, which releases purchasing power to be spent on other goods and services.

From the perspective of the AI ecosystem, those who appropriate the rents are those which have a combination of stronger market power, fatter balance sheets, and own scare resources that cannot be easily commoditized.

Pre-emption games: AI as a strategic investment to protect market share

Investment in AI tools can be thought of as a pre-emption game. Companies rush to invest because they fear competitors will do it first and eventually steal their market share if they stay passive. This behavior induces earlier investment than otherwise would be optimal.

If the sector of the economy adopting the new technology is sufficiently competitive, profit margins will not improve as higher productivity and lower costs will be passed to consumers via lower prices. Moreover, profit margins may temporarily drop as the adoption of new technologies entails adjustment costs, training of workers, etc.

However, the lack of increase in profit margins doesn’t mean that companies were wrong in deciding to adopt the new technology. Properly measured, the return on investment can be very high. The right way to evaluate the return on investment is not comparing profit margins before and after the investment assuming the same market share. Instead, companies compare profits before and after the investment under the assumption that the rest of the companies behave optimally too. That means that the option not to invest is costly if it implies losing market share to competitors.

Be curious, not judgmental

One interesting curiosity of the AI ecosystem is that despite being dominated by a handful of companies, it is very competitive in some critical segments of the supply chain, such us model producers, though there are some important scarcity rents to be obtained upstream in the supply chain.

AI token prices, which up until recently have been rallying, started to fall drastically amid growing competition from China. This dynamic is forcing model developers to offer cheaper versions just to keep market share. A good example of this is Anthropic’s recent launch of Claude Opus 5, a model that approaches the capabilities of its most advanced widely available offering Fable 5 but at half the price.

On the other side of the spectrum, there are a few companies whose moats allows them to capture producer surplus, such as ASML, a quasi-natural monopoly who manufactures the lithography machines needed to produce chips or NVIDIA, whose software and networking moats are hard to beat.

So is this a winner-takes-all market?

Not necessarily, but very close to. And the answer depends on which sub-sector we are talking about within the AI ecosystem. End customers value diversification as they don't want to create a dependency from a single provider. But it doesn't mean every model developer will survive, and some will be absorbed by others despite having a comparative advantage in terms of better software. With competition exerting strong downward pressure on prices, this sub-sector is the one that will struggle the most to capture economic rents in the long run and only a few might survive in equilibrium.

Similarly, competition means hyperscalers cannot stop investing because doing so can impact very negatively on their franchises. But that means that those with fatter balance sheets will be able to survive liquidity shocks when the market for financing dries up. This dimension is particularly important as market participants are increasingly concerned about the sustainability of circular financing.

The overinvestment to win this arms race can lead to typical boom and bust cycles. The investment decision is rational from an individual perspective but not necessarily in aggregate. We have seen it in the nineteenth century with the railway boom in the UK and more recently with the dotcom boom. Does this represent a negative externality from a social point of view? The answer depends on whether the gains for consumers in terms of lower prices compensate for the arms-race-induced overinvestment to protect market share.

US

Stephen Juneau
BofAS

AI capex is picking up steam

- AI capex is and should continue to be a tailwind for growth. Hyperscalers' capex estimates continue to get revised higher and should rise again in 2027.
- The investment boom is generating positive second-order effects across the economy, i) through wealth effects, and ii) by boosting manufacturing production and employment in AI-related industries and data-center construction.
- These factors reinforce the resilience of the US economy even in the face of potentially higher-for-longer interest rates.

See report:* *US Economic Weekly: AI capex is picking up steam 14 August 2026

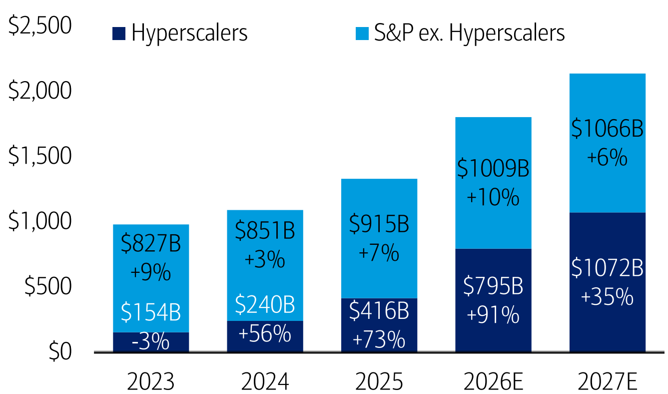
AI capex shows no signs of slowing down

We are now in the fifth week of earnings season and have received updates from the major AI hyperscalers: Microsoft, Amazon, Google, Meta, and Oracle. Savita Subramanian and our equity strategy team note that the latest earnings releases confirm that the capex cycle remains firmly on track and, if anything, appears to be accelerating. Consensus estimates imply that aggregate capex among these firms will rise by 91% this year, followed by a further 35% increase next year.

Focusing only on the hyperscalers also understates the breadth of the capex cycle, as firms across the economy are investing heavily in AI infrastructure and capabilities to keep pace with their competitors (Exhibit 1). In short, this investment cycle has an should continue to be a substantial tailwind to economic growth.

Indeed, the growth impulse from the AI buildout is tracking above our initial estimate of a 0.4pp contribution this year (See report: Global Economic Viewpoint: AI Matters #1: The tip of the AI-ceberg? 19 March 2026). We estimate that AI-related investment contributed an average of about 0.6pp to annualized growth in the first half of the year, equivalent to roughly one-third of overall 1H GDP growth (Exhibit 2). That is a

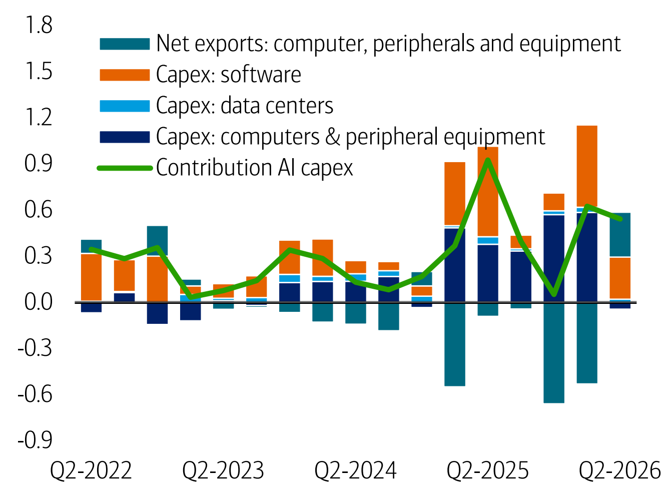
Exhibit 1: Hyperscalers' capex is expected to grow >90% YoY, an acceleration from 73% in 2025
S&P 500 and hyperscalers (MSFT, AMZN, GOOGL, META, ORCL) actual and consensus capex ($bn)



Source: BofA US Equity & Quant Strategy, FactSet
*excludes capital leases for comparability across the index

BofA GLOBAL RESEARCH

Exhibit 2: After adjusting for imports, AI capex has contributed about 60bp to 1H 26 growth or around 1/3rd of total growth
Contribution to growth from AI related capex



Source: BEA, BofA Global Research

BofA GLOBAL RESEARCH

substantial contribution, particularly given that the relevant investment categories account for only around 2.6% of nominal GDP.

With hyperscaler capex plans pointing to another 35% increase next year, AI-related investment should remain an important growth impulse in 2027. The firms leading the cycle are generating strong cash flow, have healthy balance sheets, and face powerful strategic incentives to invest today rather than risk falling behind their peers. That should make the investment relatively insensitive to higher rates.

The second-order effects are increasingly positive

The AI investment cycle is also generating positive second-order effects across the economy. These include wealth creation that has supported consumer spending, increased manufacturing production, and job creation in both manufacturing and construction. At the same time, there are still few clear signs of broad-based job destruction in the sectors most exposed to AI.

Wealth effects are supporting consumption

Household spending has benefited from a positive AI-related wealth effect, reflecting the important role that AI-linked companies have played in equity-market gains in recent years. Our equity strategy team estimates that earnings per share for AI stocks increased by 28% in 1H 2026, compared with 12% for non-AI stocks in the S&P 500.

These gains have contributed to the K-shaped pattern in consumer spending. Although the two arms of the K now appear to be converging, helped in part by an improvement in hiring (See report: BofA on USA: July retail sales: Primed for payback 11 August 2026), AI should continue to generate a positive wealth effect over the near to medium term, based on our equity team's estimates for EPS growth through year-end.

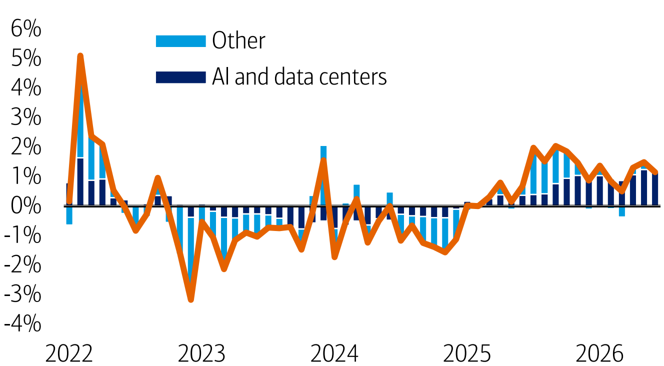
AI investment is lifting manufacturing production

AI-related investment also appears to be driving the recovery in manufacturing. Manufacturing production began to increase on a sustained basis early last year and, as of June, was up 1.1% year over year. By our estimates, nearly all of that increase reflects growth in AI-related industries: fabricated metal products, machinery, computer and electronic products, and electrical equipment, appliances, and components (Exhibit 3).

The improvement in manufacturing production is also translating into employment gains. These AI-related industries have added 23,000 jobs year to date after shedding a combined 120,000 jobs in 2024 and 2025.

Exhibit 3: Growth in manufacturing production has been driven by AI related industries

Contribution to manufacturing production growth



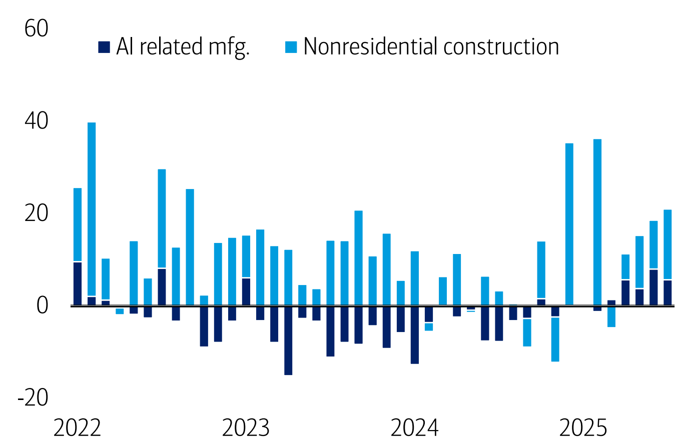
Source: Federal Reserve Board, BofA Global Research

Note: We include the following industries in our AI and data center grouping: Fabricated Metal Products, Machinery, Computer and Electronic Products, Electrical Equipment, Appliances, and Components

BofA GLOBAL RESEARCH

Exhibit 4: The investment boom is also translating to better job growth in manufacturing and construction sectors

Payroll employment (m/m ch. thous, SA)



Source: BLS, BofA Global Research

BofA GLOBAL RESEARCH

Construction employment is likely benefiting from the AI buildout as well. Nonresidential construction employment has increased by 75,000 jobs year to date and by 600,000 since January 2022 (Exhibit 4). We think much of the recent increase is attributable to data-center construction, as non-residential construction activity excluding data centers began to decline on a year-over-year basis in early 2025.

There is little evidence of broad AI-related job destruction so far

There are also limited signs that AI is currently driving broad-based job destruction, although it may already be weighing on employment growth in some industries and on entry-level hiring in particular (see US Watch: AI dashboard: Job apocalypse? Not so fast).

Employment in the industries with the highest exposure to AI has been roughly unchanged since 2022 (Exhibit 5). That picture may evolve as adoption broadens and firms reorganize production around the technology. For now, however, AI appears to be a net positive for near-term employment growth through the investment channel.

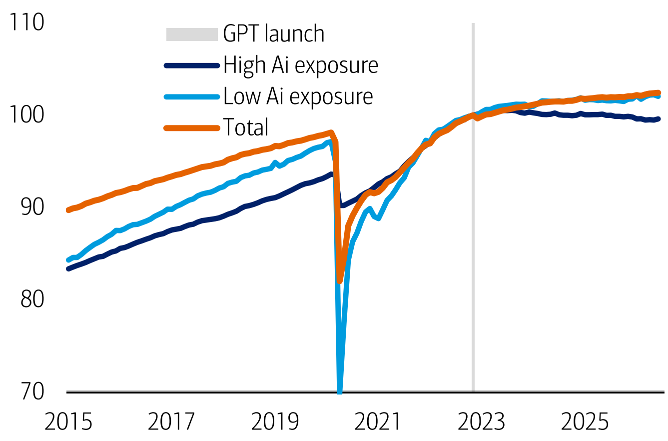
Bottom line: AI should remain an engine of growth

The upshot is that AI capex and its second-order effects should remain key engines of US economic growth over the coming years. This is one important reason why we do not think additional Fed rate hikes would materially slow growth at present. The AI investment cycle is still in its boom phase, supported by rapid capex growth, strong corporate cash flows, healthy balance sheets, and intense competitive pressure.

Historical experience suggests that an investment boom of this scale will eventually be followed by a correction (Exhibit 6). However, current capex plans indicate that such a downturn is unlikely in the near term. For now, the more immediate macro implication is that the AI buildout is increasing productive capacity, supporting activity and employment, and making the US economy less sensitive to restrictive monetary policy than it otherwise would be.

Exhibit 5: Industries with the highest AI exposure levels have seen hiring largely move sideways since Chat GPT 3.5 launched in Nov 2022

Employment levels (Nov 2022 = 100)



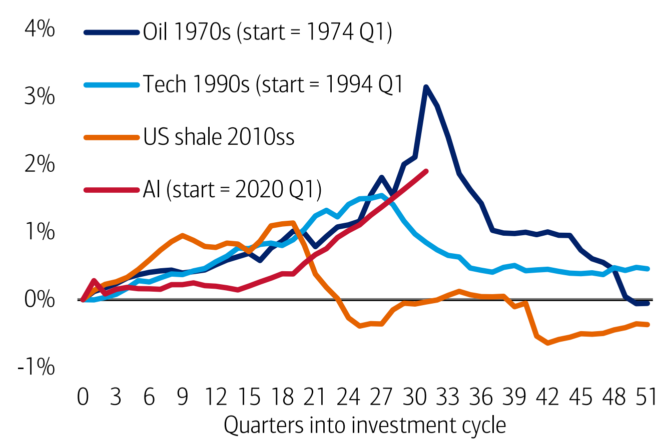
Source: Federal Reserve Bank of Dallas, Bureau of Labor Statistics and "Occupational, industry, and geographic exposure to artificial intelligence: A novel dataset and its potential uses," by Edward W. Felten, Manav Raj and Robert Seamans, Strategic Management Journal, 2021

Note: High AI exposure are 4- digit NAICS industries that have an AI exposure index above the 90th percentile, Low AI exposure are 4-digit NAICS industries that have an AI exposure index below thee 10th percentile

BofA GLOBAL RESEARCH

Exhibit 6: AI investment continues to climb rapidly and history would suggest we will see a correction at some point

Investment cycles – Capex by sector (% of GDP, change from initial quarter)



Source: BEA, BofA Global Research

Note: We use the following line items from the national account data to define each investment cycle: (1) 1970s oil: mining shafts & wells, mining & oilfield machinery, petroleum & natural gas wells. (2) Tech 1990s: communication equipment, computers & peripheral equipment, communication facilities and software. (3)1990s oil: mining shafts & wells, mining & oilfield machinery, petroleum & natural gas wells. (4) AI: Computers & peripheral equipment, software, data centers

BofA GLOBAL RESEARCH

Euro area

Evelyn Herrmann
BofASE (France)

Ruben Segura-Cayuela
BofA Europe (Madrid)

German industry: defence sector growth to the resuce

- German manufacturing grew in 2Q, but gains remain concentrated in defence-exposed sectors.
- Typical diffusion indices don't show broader improvement across sectors neither – pressure on the labour market remains.
- As usual in the summer, Rhine level headlines abound. We doubt this is a macro story, but select sectors, incl refineries, could be affected.

Manufacturing sector growth is very concentrated

The narrative around German manufacturing remains relatively sour: elevated energy prices, weak domestic demand, trade uncertainty, severe competition from China (now dubbed the China 2.0 shock), and at least temporarily risks from Rhine water levels in select sectors. For a quiet August week, we allow ourselves to stay clear of the heavy themes and carry out a considerably more basic hard data check on short-term momentum including a quick-check on Rhine levels on manufacturing growth.

In spite of the renewed energy shock, manufacturing was up 0.5% qoq, positively contributing to 0.2% aggregate GDP growth. At this stage, we are not confident this is a nascent recovery in the sector. Quarterly ups and downs have been part of an underlying zero-ish growth momentum (at best).

The composition of manufacturing growth lately isn't particularly encouraging that change may be in the pipeline. Growth is very concentrated in defence-exposed sectors. That is not news. However, it's not enough to support the whole economy. And, in energy-exposed sectors, it's hard to see how the 2Q momentum can continue amid the long-term structural challenges that go beyond the scope of this exercise.

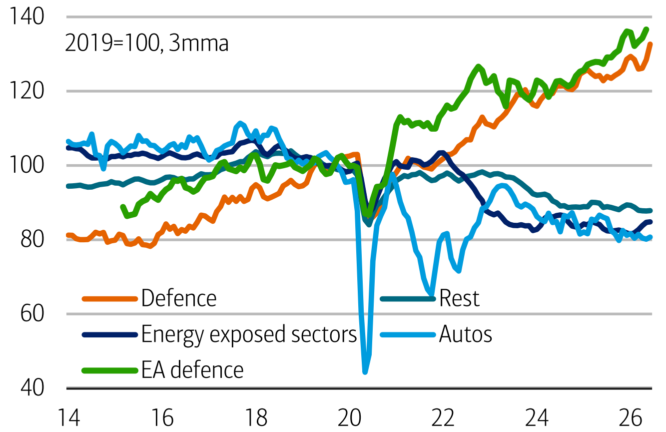
The Rhine level has become a recurring summer theme. We caution from taking 2018 estimates as benchmark for today – the private sector has probably adjusted to that seasonal risk. A quick data check does suggest it may matter at sector level though, for instance in "coke and refined petroleum" production in the short term. That can perhaps intensify the energy price shock until Rhine water levels recover.

Defence-exposed sectors continue to wobble on a steady upward trend

Defence-exposed sectors grew 5.3% qoq (after a 2.0% contraction in 1Q), pursuing their wobbly trajectory on a steady upward trend since 2016. As a reminder, defence-exposed sectors are those with obvious links (manufacturers of arms and weapons or explosives) or those that have seen more frequent factory bulk order spikes since 2022 and again following Germany's fiscal re-think in 2025 (electronic equipment, special purpose machinery, air- and spacecraft...).

Factory orders point to further upside in the sector (Exhibit 8), enhanced by fiscal spending. But what is striking at this stage is that Germany's defence-exposed sector output is not yet outperforming the Euro area as a whole (green vs orange line in Exhibit 7). Data protection due to national security concerns, long delivery delays, capacity constraints, sub-optimal spending on high import items or a blend of all could be at play. We continue to work under the assumption that multipliers on defence spending started at a relatively low level and hopefully become more important over the coming years.

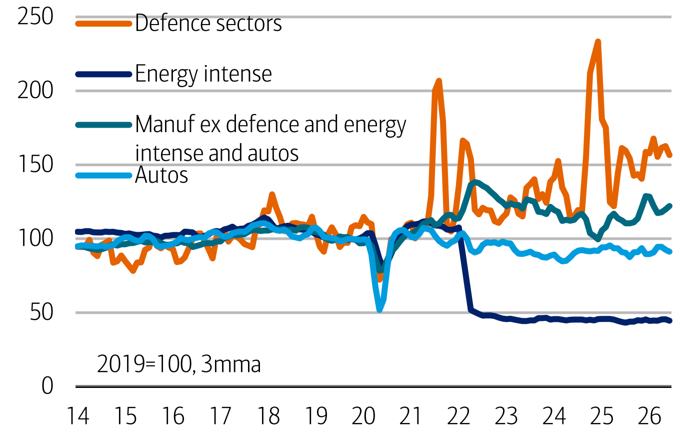
Exhibit 7: German manufacturing is strong in defence-exposed sectors, but not stronger than the Euro area average
German and Euro area manufacturing sectors, 2019=100, 3mma



Source: BofA Global Research, Destatis, Eurostat

BofA GLOBAL RESEARCH

Exhibit 8: Defence-exposed orders continue to grow, but energy-intense sectors are stuck at c 40% of pre-2022 energy shock levels
Factory orders, 2019=100, 3mma



Source: BofA Global Research, Destatis

BofA GLOBAL RESEARCH

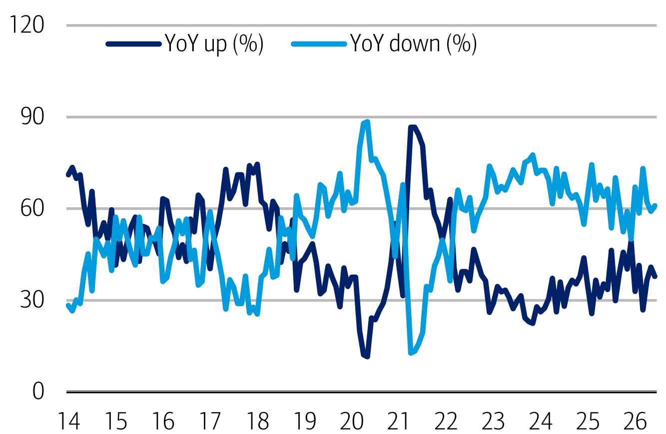
Energy-intense sectors are wobbly at stubbornly low levels

Energy-intense sectors grew 2.6% in 2Q26; but remain at relatively low levels in absolute terms since the 2022 energy crisis (dark blue line in Exhibit 7). We don't dare to hope that this is a nascent recovery. Short term, low Rhine water levels may impact sector output negatively- more on that below. importantly, factory orders in these sectors continue to move sideways at just above 40% of their level in 2021.

Counting the sectors – growth isn't broad-based

There is perhaps a tentative sign of improvement in manufacturing orders excluding energy-intense sectors, autos and defence. The series is very volatile (dark green in Exhibit 8), but seems to be upward sloping. This is tentatively good news, but that sub-group accounts for only c 1/3rd of total factory orders and a smaller fraction of manufacturing. Put differently, we have to look very carefully to find pockets of growth, and that is typically not a very encouraging sign.

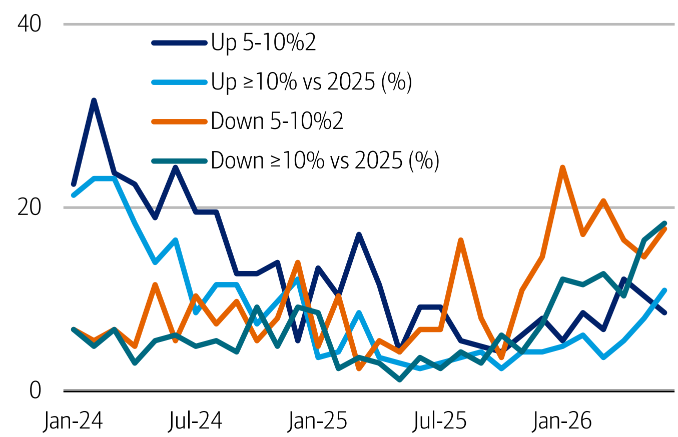
Exhibit 9: Manufacturing growth is not broadening across sectors
Diffusion index: share of 77 manufacturing sectors up or down in %yoy



Source: BofA Global Research, Destatis

BofA GLOBAL RESEARCH

Exhibit 10: But sector dichotomy seems widening, with a larger share of sectors in deeper contraction or stronger growth vs 2025 levels
Share of manufacturing sectors up or down xx% vs 2025 output levels



Source: BofA Global Research, Destatis

BofA GLOBAL RESEARCH

A different way to illustrate this is perhaps through "old style" diffusion indices: a simple count of the share of manufacturing output or orders sectors that are currently growing or shrinking. In terms of output, a little more than 60% of 77 manufacturing sub-sectors remain in contraction on a % yoy basis (Exhibit 9). If we compare the share of sectors that are up or down 5-10% or more than 10% vs 2025 levels by June 2026, we find a growing dichotomy. The share of sectors up more than 10% has increased to 11% by June from c 5% in 1Q26, but the share of sectors down more than 10% has risen by a similar magnitude to 18% by June (Exhibit 10).

The labour market hasn't stabilized yet

When we first ran this sector composition update in April, we flagged that German job shedding in the industry sector had gone relatively far already, "excess labour" was still prevalent but less dominant. That hasn't changed in the additional quarter of data since. Job shedding in the industry sector is ongoing. We update an exercise from 2024, when we checked employment intentions in the European Commission's Economic Sentiment Indicator. In the German data set, output expectations, labour-limiting production and demand-limiting production explain employment intentions well in both the industry and the services sectors (Euro Area Viewpoint: Labour market: it's getting more complicated 01 November 2024.).

In the industry sector, labour market signals remain negative but seem to have tentatively stabilized now, helped by slightly less bad output expectations, and clearing of labour supply constraints vs long-term levels (Exhibit 11). Of course, that is an improvement compared to last year – the pace of deterioration in the labour market may be slowing. But in absolute terms, manufacturing signals would still point to further job shedding in the industry sector, typically a key ingredient of domestic demand.

Rhine levels in Kaub – the macro and sector stories differ

A couple of weeks ago we were already discussing our take on the customary Rhine level headlines during the summer (Europe Economic Weekly: Waiting for those summer vibes 17 July 2026)). As the very warm and dry summer progresses, headlines keep coming. We don't want to dismiss the impact of heat and drought on potential supply and demand in the economy. But that is a broader European issue, so in that respect, the Rhine water level is symptomatic of a broader uncertainty on the outlook.

Sticking to Rhine levels, alone, we don't think we can take estimates based on the 2018 episode (ie a cut to GDP by 0.2-0.3ppt in the fall of that year) as the benchmark. At the time, Rhine water levels in Kaub had fallen below the reference threshold for unconstrained vessel shipping in August, and remained very low until November.

True, Rhine water levels in Kaub have fallen below the reference threshold for unconstrained vessel shipping in July already – a month earlier than in 2018. Absolute levels in the first half of August were below the trough in 2018. Latest forecasts WSV (Wasserstrassen- und Schifffahrtsverwaltung des Bundes) from 10 August suggest that we could be back close to the reference thresholds in the second half of September, although uncertainty bands are wide. Put differently, we don't know enough about the longevity of this particular aspect of the European heatwave and drought yet.

Furthermore, low Rhine levels have become a recurring summer feature. The corporate sector has arguably adjusted by either adjusting seasonal production patterns or moving to alternative transportation means, as anecdotal evidence from July would suggest.

We also continue to wonder if the 2018 estimates capture a general deterioration in economic momentum, instead. Go back to Exhibit 7: industrial production should have been disrupted in 2H18, but we would have expected an at least partially compensating rebound thereafter. Yet, the auto sector and energy-intense sectors (which include those typically assumed to be most affected by Rhine transportation)at that time engaged into a steady downward trend.

Rhine levels may matter for select sectors, incl petroleum products

We nevertheless started to do some data homework on Rhine water effects on German output, in particular. In a simple and non-exhaustive analysis, we ran a series of simple

Ordinary Least Square regressions. Monthly industrial production growth (on aggregate or across 26 sub-sectors) are the dependent variable. We use autoregressive lags and the share of days per calendar month in which the Rhine level fell below 100cm, 77cm or 40cm with 0-6 months lags as explanatory variables. We use monthly data from Jan-2000 to Jun-2026. The goal is not so much to find the perfect fit, as to check tentative statistical relevance.

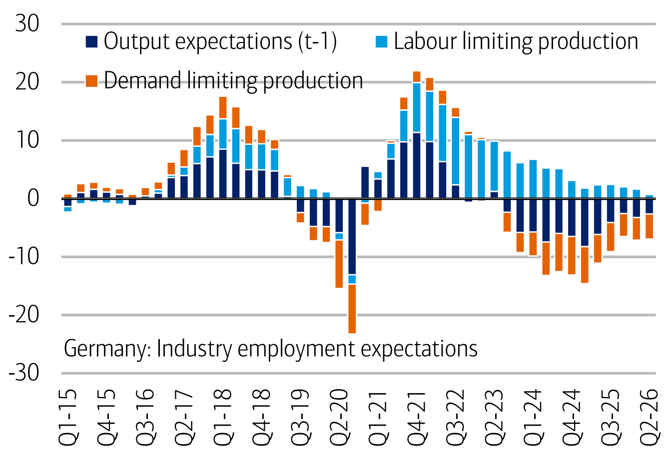
We find that low Rhine water levels have no impact on industrial production aggregates, but on select NACE2 sectors (statistical classification of Economic Activities in the European Community), notably food (C10), coke and refined petroleum (C19), chemicals (C20), pharma (C21) and "other manufacturing products (C32). The impact is larger at particularly low Rhine levels (light blue bars in Exhibit 12). After six months, the negative initial impact has typically reversed, except in the pharma industry (right panel in Exhibit 12).

Caveats apply to these estimates, and hence we would refrain from using coefficients as reliable guide to actual impact (if you wanted to use the coefficients, a full months of Rhine levels below the 77cm threshold would lower C19 monthly growth by 0,1ppt). Our analysis is partial – the share of days per month with Rhine water level is only one of many relevant variables that impact vessel transport along the trajectory, in particular. While we control for the pandemic impact in 1H20, we don't for underlying trends. Low Rhine levels also remain fairly rare – there were only 30 months since 2000 with at least one day below the reference threshold, and only the 2018 episode when Rhine levels fell below 40mm even. Consequently, we suspect that the cumulative negative effect in pharma is the result of more frequent low Rhine levels over the last decade, coinciding with the severe drop in sector output, notably since 2022.

The impact on coke and refined petroleum, in particular, is perhaps more relevant at the moment. This can temporarily intensify the energy shock from supply disruptions via the Strait of Hormuz, at least over the summer months until water levels rise again.

Exhibit 11: Surveys still point to job shedding in the industry sector, although at a slower pace

German manufacturing employment expectations, contributions of explanatory factors vs long term average

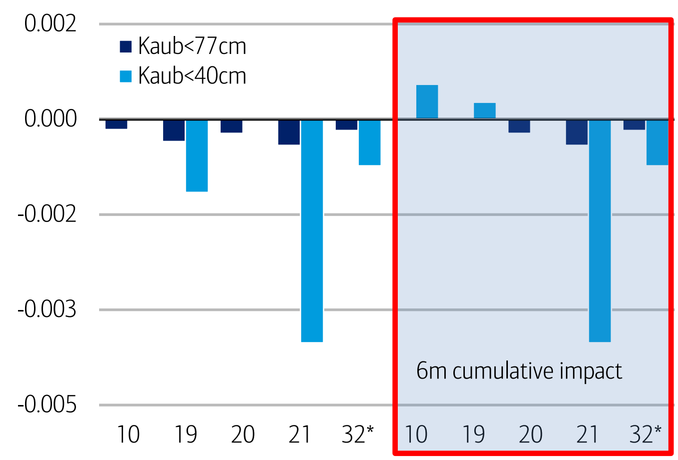


Source: BofA Global Research. We run ordinary least square estimates of hiring intentions as a function of listed variables. We include a 2010-18 dummy. Results are shown relative to (dummy adjusted) long term averages.

BofA GLOBAL RESEARCH

Exhibit 12: Rhine levels matter for food (10), coke and refined petroleum (19), chemicals (20), pharma (21) and "other" (32)

Coefficients on the share in days per month with Rhine water levels below 77cm or 40cm, instantaneous or cumulative coefficients over a 6m period.



Source: BofA Global Research; notes: all coefficients are statistically significant at 5%.

BofA GLOBAL RESEARCH

UK

Sonali Punhani
MLI (UK)

Ruben Segura-Cayuela
BofA Europe (Madrid)

Data preview- Core contained

- Data next week will once again be examined to check if energy shock is feeding into persistent price pressures.
- We expect it not to- though headline inflation should rise, we don't expect a notable rise in core price pressures.
- We expect the BoE on prolonged hold, but risks are tilted to a near-term hike. However, the bar for a Sept hike is high.

Data preview: Core contained

We expect an increase in headline inflation next week due to a pick-up in gas bills, but don't expect a notable rise in core price pressures.

We expect headline inflation to rise from 2.6% to 2.9% in July (10bps above the BoE's forecast). Core inflation is likely to be flat at 2.6% (in line with BoE's forecast) with services inflation falling from 3.6% to 3.4% (in line with BoE's forecast). RPI inflation should rise from 3.0% to 3.5% (3.47).

Gas bills are rising in July by 13% due to the rise in Ofgem price cap. Despite the rise in oil prices in July, petrol and diesel prices are still on average 3%m/m lower than June likely causing a fall in motor fuel inflation. Incorporating both elements, energy inflation is likely to pick up from 5.7% to 11.7%. We expect food inflation to fall from 1.7% to 1.4%

Core inflation is likely to be flat at 2.6%. We expect services to fall from 3.6% to 3.4%. One reason for the decline in services inflation is that from June 25-Sept. 1, the government has temporarily reduced VAT from 20% to 5% on specific categories, including children's restaurant meals and admission tickets to amusement parks and other recreational and cultural attractions. This VAT reduction is estimated to lower inflation by approximately 0.2pp in July and August. Worth noting that the return to the full rate in September would imply that this effect unwinds in September. We also expect some favourable base effects from airfares which can lower services inflation. Core goods could rise from 0.7% to 0.9%.

We expect headline inflation at 3.1%/2.3% in 2026/27 with a peak of 3.3% in Sept/Nov. Our commodities team have recently updated their gas forecasts for the winter (Global Energy Weekly: Summer heat leaves winter TTF in the cold 05 August 2026), increasing winter EU TTF natural gas forecasts to 65€/MWh from 50€/MWh on low physical inventory of natural gas in Europe. This puts upside risks to our forecasts especially for 2027 as a projected rise in winter gas prices is likely to raise the January price cap (with observation window falling from mid Aug- mid Nov) and the April price cap (with observation window falling from mid- Nov to mid Feb). We will be updating our forecasts shortly to incorporate the revised gas forecasts.

The labour market should show unemployment falling from 4.9% to 4.8%. We expect private regular wage growth to fall from 2.9% to 2.8%, with regular wage growth flat at 3.4%. Payrolls are likely to rise slightly by 5K in July. Overall, we think the labour market is soft, but less than traditional measures indicate. Going forward it is likely to show signs of stabilization, and we don't expect a non-linear deterioration (as discussed in UK Viewpoint: Labour market: Underneath the softening 08 July 2026).

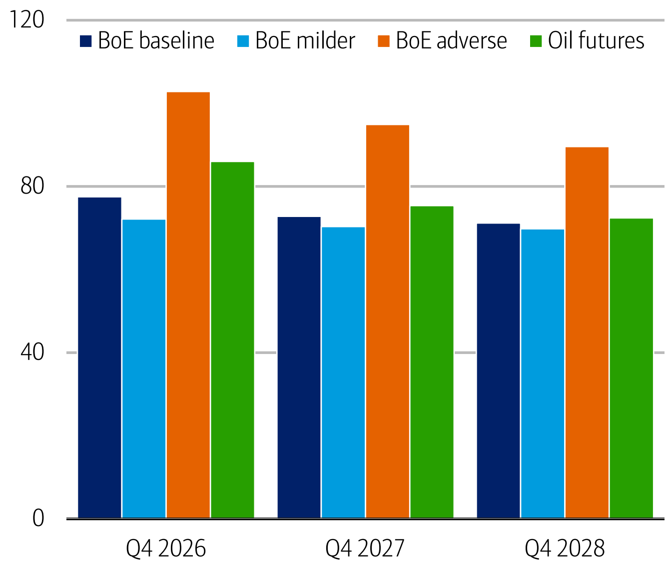
Unchanged rates this year, but risks tilted to a hike

The BoE has a high bar for action and based on our expectation of lower oil prices in H2 and given soft growth/ labour market, limited second round effects so far and restrictive rates, we expect the BoE on hold through the year.

Risks are tilted to a hike later this year if evidence on strong second round effects emerges and the energy shock worsens and is prolonged. Both oil and gas futures are currently higher than the BoE's baseline scenario, though not as high as the adverse scenario. This keeps the risks of upside surprises vs. the BoE's headline inflation forecast alive in the next few prints. But we think the BoE can potentially tolerate these upside surprises as long as they are modest and limited to energy intensive products. For the BoE to respond we think we would need to see signs that this shock is feeding to strong second round effects via broad-based price rises or wages.

Having said that we think that the bar for a hike in September is fairly high, as there was no strong signal for an imminent hike in July. The recent rise in energy prices didn't cause a hawkish shift in the majority of the Committee, with most members showing no rush to act.

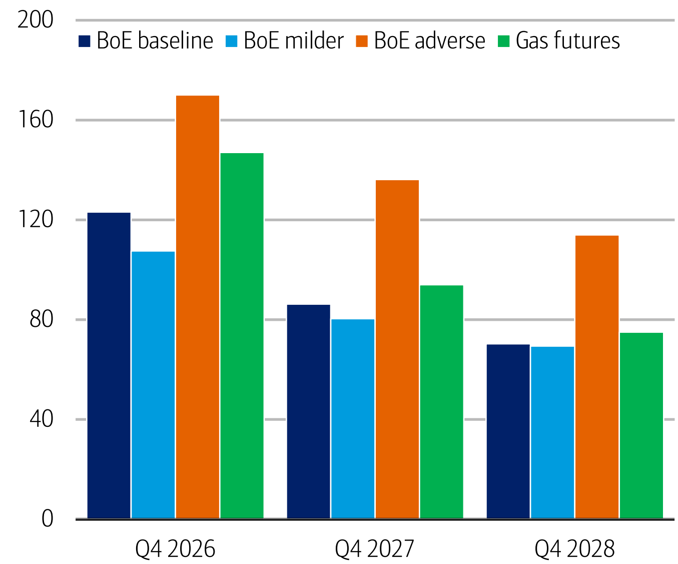
Exhibit 13: Oil futures are currently higher than the BoE's baseline scenario, though not as high as the adverse scenario.
Oil prices ($ per barrel)



Source: BoE, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 14: Gas futures are currently higher than the BoE's baseline scenario, though not as high as the adverse scenario
Gas prices (Pence per therm)



Source: BoE, Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

China

Helen Qiao
Merrill Lynch (Hong Kong)

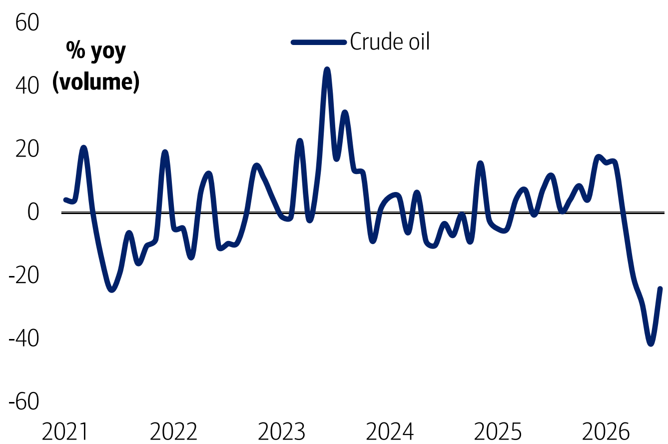
Anna Zhou
Merrill Lynch (Hong Kong)

See full report: China Viewpoint: 'Crude Summer': Oil import slump is not just about demand 13 August 2026

Oil import slump overstates demand weakness

Crude oil import volume fell 13% yoy in the first seven months of the year, including a 41% drop in June and a 24% decline in July, raising concerns about a sharp deterioration in Chinese domestic demand. Yet refinery throughput, a closer measure of crude use, fell by a more modest 8% YTD, while domestic crude production remained stable. In our view, the sharper retreat in imports also reflects inventory drawdowns and accelerated electrification has shifted energy demand away from oil. Indeed, YTD electricity consumption rose 5.3% yoy, while overall industrial production grew 5.4% yoy

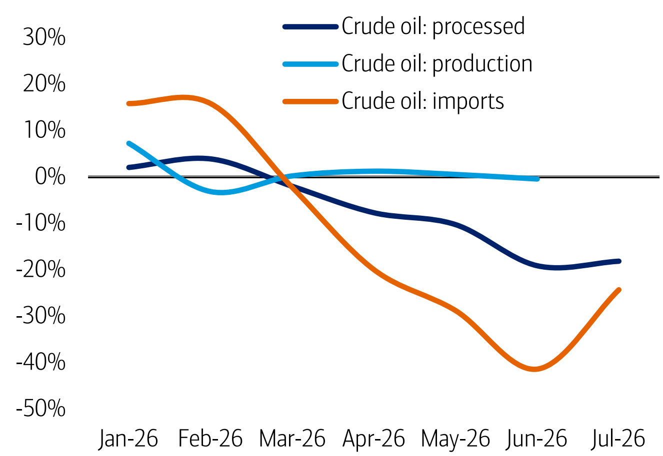
Exhibit 15: Crude oil import volumes began contracting yoy in March and fell 13% in January to July
China's crude oil import volume (%yoy)



Source: General Administration of Customs

BofA GLOBAL RESEARCH

Exhibit 16: Crude throughput fell 18% yoy in June and 8% in January to July, substantially less than the decline in imports
%yoy change in China's crude oil imports, processing and production



Source: General Administration of Customs, Shandong Longzhong Information Technology Co.

BofA GLOBAL RESEARCH

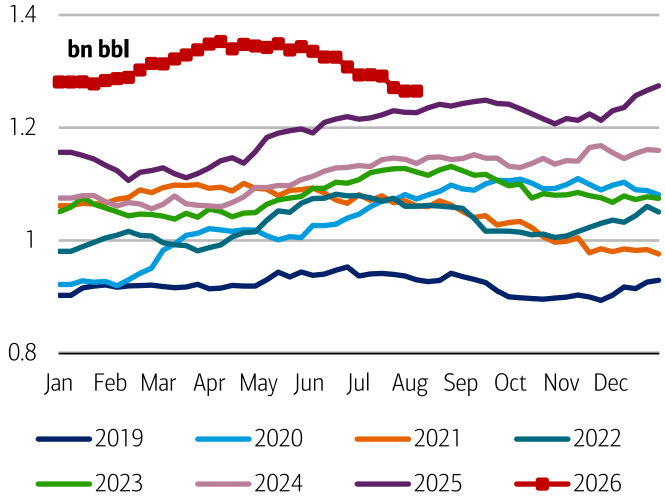
Inventories provided the first buffer to the supply shock

China initially absorbed part of the Middle East supply shortfall by drawing on crude inventories accumulated when prices were lower. The IEA estimates that China drew 41mn barrels from crude stocks in June, although the lack of official data makes the size and composition of the draw difficult to verify. Satellite tracking data suggests after the drawdown, inventories remained more elevated than prior years and broadly around their level at the start of the year.

Electrification is driving a structural fuel demand decline

While inventory drawdowns temporarily reduced import needs, electrification is causing a more lasting decline in oil demand. China's long-running shift toward electrified transport has accelerated this year, permanently displacing gasoline and diesel consumption. EVs accounted for 62.8% of passenger-car retail sales in June, up from 53% a year earlier, while charging volumes rose 69% yoy to a record high in April. New-energy heavy trucks accounted for 45% of sales in June, up from 26% a year earlier. Our rough estimates suggest electrification could explain around one-third of the YTD decline in crude imports.

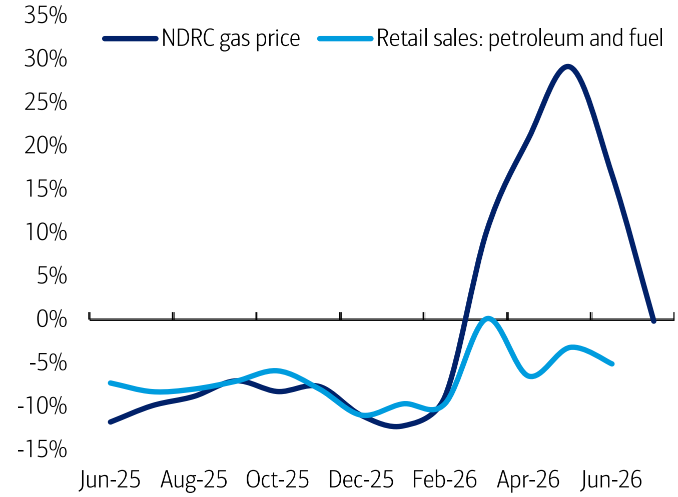
Exhibit 17: China has built up a significant amount of crude oil inventories over the years, with satellite data tracking 1.3bn barrels
China observable crude oil inventories, bn bbl



Source: Kayrros

BofA GLOBAL RESEARCH

Exhibit 18: Retail gasoline prices rose by as much as 30% yoy, yet nominal gasoline spending remained below year-earlier levels
%yoy change in retail gas price and nominal gas spending



Source: NDRC, NBS

BofA GLOBAL RESEARCH

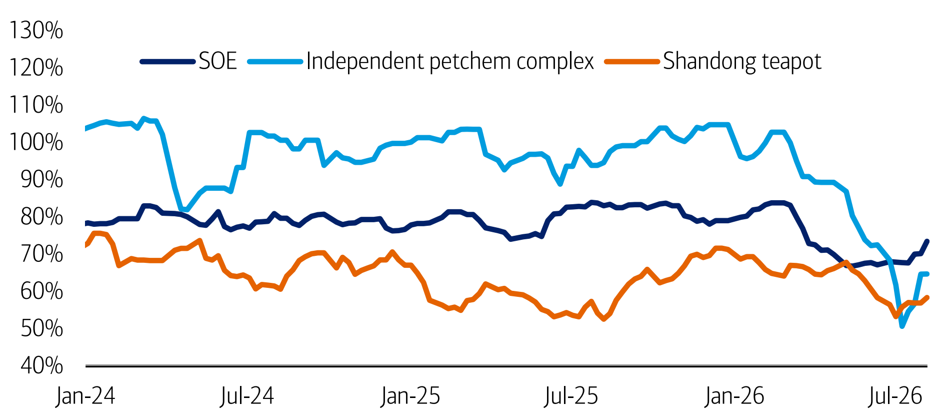
Other temporary pressures reduced demand further

Beyond electrification, several temporary pressures further reduced crude demand, with the weakness concentrated in refined fuels rather than petrochemicals. Retail fuel-price controls limited the pass-through of higher crude costs, squeezing refinery margins once oil rose above US$80/bbl. Refined-product export curbs also reduced crude processing for overseas sales, while the construction downturn weakened diesel demand, as reflected in slowing non-metallic mineral products IP growth. By contrast, crude demand for petrochemical production held up better, supported by strong downstream exports.

The path ahead: A partial, price-sensitive recovery

Looking ahead, we expect crude imports to recover gradually. Refined-product export curbs are already easing, with our channel checks suggesting that export allowances had returned meaningfully by August, supporting higher refinery runs and crude imports. However, electrification means some transport-fuel demand will not return. Elevated inventories should also limit stockbuilding while crude prices remain high, although lower prices could revive purchases. Our commodity analysts expect the full-year import-volume decline to narrow to 8%, implying a meaningful but incomplete recovery.

Exhibit 19: Refinery run rate has seen some recovery in recent weeks
Chinese refinery run rate



Source: SCI99

BofA GLOBAL RESEARCH

Emerging EMEA

Hande Kucuk
MLI (UK)

Türkiye: Reserve constraint eased; inflation constraint persists

Complete report: Emerging Insight: Türkiye: Reserve constraints are easing, inflation constraints remain 13 August 2026

Reserve constraint has eased, inflation constraint has not

The CBRT responded swiftly to the macro-financial stability risks triggered by the Iran-Israel conflict, suspending one-week repo funding at 37% and steering funding towards the upper end of the interest rate corridor, pushing TLREF close to 40%. Against a backdrop of heightened geopolitical uncertainty and volatility in energy markets, the Bank opted to tighten the stance through liquidity management rather than raise the policy rate, preserving the flexibility to revert quickly to the 37% policy rate once conditions normalised. However, the persistence of geopolitical risks and uncertainty over a lasting resolution has resulted in an unusually prolonged divergence between effective and policy rates, with TLREF running around 300bp above the one-week repo rate for nearly six months.

As a result, the market's focus has shifted to the timing of operational normalisation. We think the marked recovery in reserves and the limited dollarisation response have removed a key obstacle to such a move. However, inflation remains the binding constraint, with realised and expected inflation still well above the CBRT's objectives and energy-related risks continuing to cloud the outlook despite cooling domestic demand. Greater use of fiscal space to cushion the pass-through from international energy prices could create additional room for manoeuvre. We expect TLREF to normalise towards the 37% policy rate by the September MPC meeting and continue to forecast a 100bp rate cut to 36% in October. That said, incoming August and September inflation data, as well as geopolitical developments, will remain key determinants of the timing and pace of normalisation.

A closer look at reserves

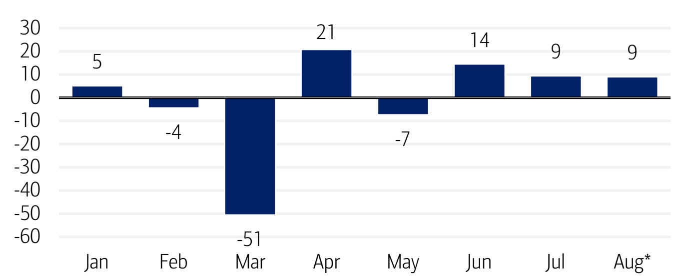
The CBRT has reversed most of its post-war FX sales, with cumulative net sales since end-February declining to an estimated US$5bn from a peak of US$52bn reached during the first month of the conflict. We estimate the CBRT has purchased around US$33bn of FX since June, likely supported by seasonal tourism receipts, returning capital inflows and muted resident FX demand. More recently, our calculations suggest the CBRT accumulated a further US$11bn of FX over the last six working days (4-11 August).

Exhibit 20: Rapid increase in CBRT's net FX position in August, partly helped by rising gold prices
CBRT's net FX position excluding swaps ($bn)

Source: Haver, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 21: We estimate $33bn net FX purchases (adjusted for gold price valuation) since June
CBRT's net FX purchases (monthly sum, $bn)



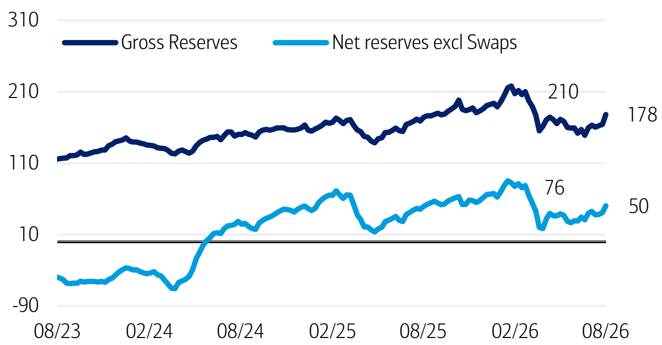
Source: Haver, BofA Global Research. *August data is as of August 11.

BofA GLOBAL RESEARCH

The CBRT's net FX position stood at US$50.7bn as of 11 August, around US$20bn below pre-war levels. We estimate that roughly US$15bn of this gap reflects gold-price valuation effects, down from a peak impact of US$21bn, while only around US$5bn is attributable to cumulative net FX sales. This suggests that the deterioration in the net FX position since the conflict is now largely explained by gold-price movements rather than ongoing net FX sales.

The recovery is also reflected in the official reserve data, which posted strong weekly increases last week. As of 7 August, gross reserves stood at around US$178bn, while net reserves excluding swaps stood at around US$50bn. With gold accounting for around 60% of gross reserves, gold-price movements remain an important driver of reserve levels. Our commodity strategists' forecast for gold to reach US$5,000/oz by mid-2027 is supportive of reserve levels, ceteris paribus.

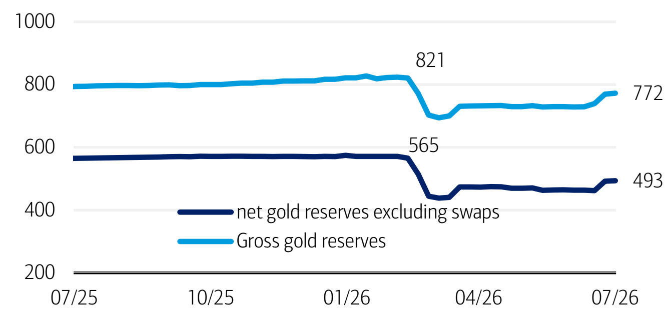
Exhibit 22: Gross reserves back to $178bn as of August 7
Gross and net reserves (FX and gold total, $bn)



Source: Haver, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 23: Gold reserves have also posted some recovery since mid-July
Gross and net gold reserves (tons)



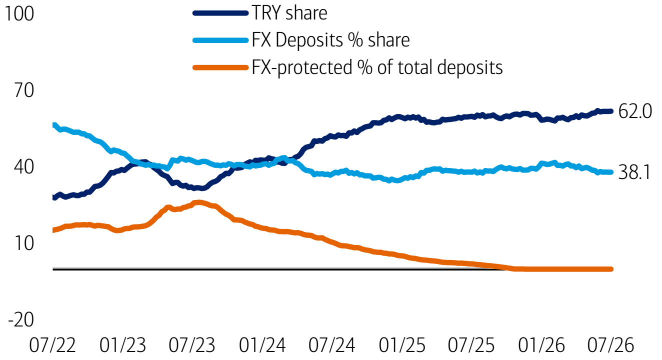
Source: Haver, BofA Global Research

BofA GLOBAL RESEARCH

Residents FX demand has remained contained

Unlike in previous episodes of reserve pressure driven by foreign outflows, residents' demand for FX has remained limited. In the five months since the start of the conflict, retail FX deposits have declined by US$1.6bn on a cumulative, parity-adjusted basis. While retail gold deposits increased by US$1.5bn since end-February, this was accompanied by a larger decline in other retail FX deposits. Meanwhile, corporate FX deposits have increased by US$6.7bn (also on a cumulative, parity-adjusted basis). However, the increase in corporate FX deposits has not been persistent across weeks, likely reflecting firms' periodic FX liquidity needs related to external debt repayments and import financing rather than a sustained increase in dollarization.

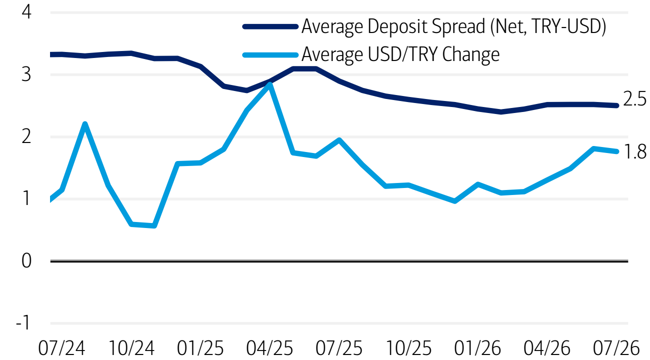
Exhibit 24: Residents continue to favour TRY deposits
TRY and FX deposits as a share of residents' deposits at local banks



Source: Haver, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 25: Net return on TRY deposits have beaten that on USD deposits
Average deposit return spread (after-witholding tax)



Source: Haver, BofA Global Research

BofA GLOBAL RESEARCH

Latin America

David Beker >>
Merrill Lynch (Brazil)

Brazil - Who is afraid of the big bad wolf?

Complete report: Brazil Viewpoint: Who is afraid of the big bad wolf? 13 August 2026

Who will finance the government – and at what price?

Investors are increasingly questioning how much government debt the domestic market can absorb, as financing needs remain large and demand for duration weakens. Rather than a traditional debt sustainability analysis, we assess the market's capacity to absorb Brazil's growing financing needs – across instruments, maturities and investor types – and the price required to clear that supply.

Not solvency – a duration pricing story

Brazil isn't running out of cash — it's running out of buyers for duration. A BRL1.35tn (10% of GDP) buffer covers even August's ~BRL287bn NTN-B redemption (21% of it) and funds a full shutdown into March 2027, so the near-term debate over rollover misses the point entirely. The binding margin isn't liquidity; it's the price demanded to take duration.

The marginal buyer of duration has left

Our Price-Sensitive Absorption Ratio tells a stark story: of every R$100 of net new NTN-B supply since 2021, funds and non-residents took just R$4. Their shares fell from 26% and 10.6% peaks to 13% and 2.5%. Pensions buy to match liabilities, not to price yields, so more duration needs a bigger concession.

Private credit competes for the savings pool

A thinner buyer base meets rising competition. Incentivized debenture stock more than quintupled, from R$106bn in 2020 to over R$580bn in 2026, with issuance up from R$28bn to R$177bn. Tax exemption lifts their after-tax yield above NTN-Bs, amplifying the marginal-buyer problem.

Calm auctions mask a scaled-back offer

Auctions haven't failed – NTN-B absorption near 80% in 2026 matches history – but only because Treasury stopped forcing duration. Floating-rate LFTs (Selic-indexed) rose to ~55% of Jan-Jul issuance from 40%, while NTN-B fell to 9% from 21%. 2025-style volumes stays untested.

Fiscal credibility is the swing factor

Brazil faces no immediate funding constraint, but that comfort hinges entirely on fiscal credibility. Under a credible post-election adjustment, the Treasury can cover heavy financing needs by paying a higher term premium and leaning more on floating-rate debt. Slippage is the real threat. It could drain demand for duration just as financing needs climb, forcing a costly shift toward shorter, floating or external debt. The wolf is not today's funding need but the risk that fiscal drift makes debt much harder to absorb.

Brazil's public financing capacity

A roughly BRL290bn NTN-B redemption on August 16th has put Brazil's debt-financing capacity under the spotlight, with investors questioning whether the Treasury can absorb such a large maturity as demand for inflation-linked bonds softens and the maturity profile grows more challenging. We see the near-term and structural debates as fundamentally different questions. On the near-term front, the Treasury faces no immediate rollover or liquidity constraint. Its sizeable cash buffer comfortably absorbs even unusually large maturities, including this month's NTN-B redemption. The relevant question is therefore not whether Brazil can refinance its debt, but at what cost and through which instruments it will do so.

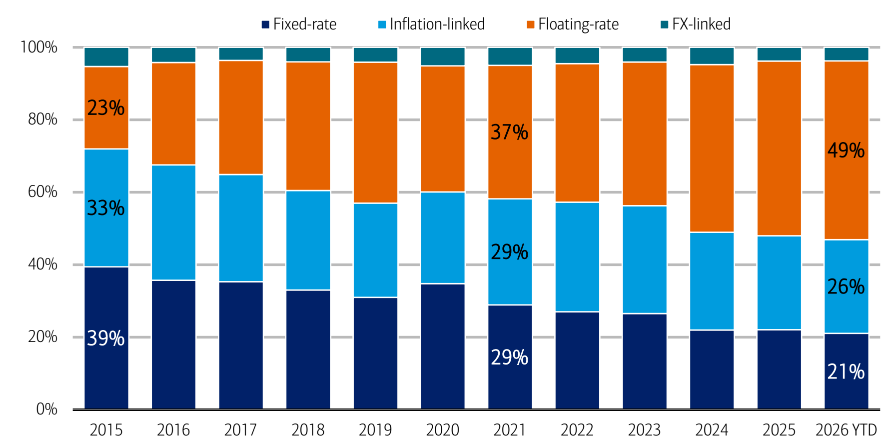
The scale of the financing task is nevertheless significant. The Treasury's 2026 Annual Borrowing Plan (PAF) estimates net financing needs at BRL1.68tn for the year, equivalent to an average of roughly BRL 140bn per month. The actual funding requirement is highly uneven, however, reflecting the maturity profile of the debt and the Treasury's ability to use its liquidity buffer. This makes the market's capacity to absorb government securities – particularly duration – increasingly relevant even in the absence of an immediate liquidity constraint.

This distinction becomes increasingly important as the investor base faces competing alternatives. A lower rollover of NTN-B maturities does not mechanically translate into a funding shortfall: the Treasury can draw down its liquidity buffer and increase issuance of other instruments, particularly LTNs and LFTs. But this shifts the financing burden elsewhere along the curve and requires investors to absorb additional nominal and floating-rate debt. If demand does not expand accordingly, market clearing would likely require higher yields, potentially shortening the debt profile and increasing the sensitivity of debt-service costs to monetary policy.

The challenge is therefore better understood as one of financing capacity at sustainable prices rather than solvency. Brazil issues debt in domestic currency, has a deep local fixed-income market and maintains a substantial liquidity cushion. Yet, these strengths do not make the financing constraint irrelevant. With public debt continuing to rise and domestic savings remaining low, the government is competing for a finite pool of private savings. The combination of larger financing requirements, a shifting composition of demand for government bonds and the rapid expansion of tax-advantaged private fixed-income instruments may increasingly affect the relative pricing required for the Treasury to place its debt.

The debt mix shows how the Treasury has adapted as demand for duration became harder to find. Floating-rate debt has regained space, giving the Treasury more flexibility to meet its funding needs without forcing more duration into the market. As we show later, flexibility helps explain why funding can remain available even as the marginal buyer of duration becomes scarcer.

Exhibit 26: Brazil's debt mix has shifted structurally toward floating-rate debt.
Federal Public Debt (DPF) outstanding by indexer, year-end, % of total



Source: BofA Global Research, Brazilian National Treasury

BofA GLOBAL RESEARCH

Key forecasts

Exhibit 27: Economic forecasts
GDP growth, inflation and policy rate forecasts for the major economies

	2Q26	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	2025	2026F	2027F	2028F
Global and Regional Aggregates, %											
United States											
Real GDP growth [1]	1.6	2.5	2.4	2.2	2.2	2.1	2.0	2.1	2.1	2.2	1.9
CPI inflation	3.8	3.2	2.9	2.1	1.9	1.9	2.2	2.7	3.2	2.0	2.3
Policy Rate (EoP)	3.63	3.88	4.38	4.38	4.38	4.38	4.38	3.63	4.38	4.38	4.38
Euro area											
Real GDP growth [1]	0.6	1.4	1.5	1.3	1.2	1.1	1.1	1.5	0.5	1.3	1.1
CPI inflation	3.0	2.8	2.6	2.2	1.4	1.5	1.5	2.1	2.6	1.7	1.8
Policy Rate (EoP)	2.25	2.50	2.50	2.25	2.00	2.00	2.00	2.00	2.50	2.00	1.50
China											
Real GDP growth [2]	4.6	4.5	4.4	4.3	4.4	4.6	4.5	5.0	4.5	4.5	4.3
CPI inflation [3]	1.3	1.3	0.8	0.9	0.4	0.6	0.7	0.0	1.0	0.6	1.2
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
Japan											
Real GDP growth [1]	0.7	0.4	0.6	0.5	1.4	0.6	0.8	1.1	0.6	0.7	0.7
CPI inflation	1.5	1.7	2.1	3.1	1.2	0.9	0.1	3.2	1.7	1.3	1.4
Policy Rate (EoP)	1.00	1.25	1.50	1.75	1.75	2.00	2.00	0.75	1.50	2.00	2.00
Global Aggregate [4]											
Real GDP growth								3.5	3.2	3.4	3.3
CPI inflation								2.5	3.0	2.4	2.4
Policy Rate (EoP)								3.74	3.99	3.82	3.65
Emerging Markets Aggregate [4]											
Real GDP growth								4.8	4.5	4.6	4.4
Real GDP growth (ex-China)								4.6	4.5	4.7	4.5
CPI inflation								2.6	2.8	1.9	2.0
Policy Rate (EoP)								4.42	4.44	4.23	4.05

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

BofA GLOBAL RESEARCH

Exhibit 28: Markets forecasts
Forecasts for FX, interest rates, commodities and equities

	spot	3Q26	4Q26	1Q27	2Q27	3Q27	4Q27	4Q28
Exchange Rates (EoP)								
EUR/USD	1.15	1.12	1.15	1.16	1.18	1.19	1.20	1.22
USD/JPY	159	153.00	149.00	149.00	148.00	146.00	145.00	145.00
USD/CNY	6.74	6.80	6.70	6.70	6.70	6.60	6.60	6.60
GBP/USD	1.35	1.32	1.37	1.38	1.40	1.43	1.45	1.47
Interest rates (% EoP)								
US 10yr	4.65	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Germany 10-year	3.13	2.90	2.90	2.75	2.70	2.70	2.60	2.50
Japan 10yr	2.88	2.65	2.85	3.00	2.95	2.90	3.00	2.80
Commodities [1]								
Oil - WTI ($/bbl)	81.3	75.0	69.0	68.0	63.0	65.0	66.0	NA
Oil - Brent ($/bbl)	87.1	79.0	73.0	72.0	67.0	69.0	70.0	NA
Gold ($/oz)	4315	3900	4250	4750	5000	5000	4500	4000
Equities (EoP)								
S&P 500	7799						7100	
Stoxx 600	659		530				565	

Source: BofA Global Research

BofA GLOBAL RESEARCH

Detailed forecasts

Global economic forecasts

Exhibit 29: Global Economic Forecasts

Global GDP growth expected at 3.2% in 2026, 3.4% in 2027 and 3.3% in 2028

	GDP growth, %				CPI inflation*, %				Short term interest rates**, %			
	2025	2026F	2027F	2028F	2025	2026F	2027F	2028F	Current	2026F	2027F	2028F
Global and regional aggregates												
Global	3.5	3.2	3.4	3.3	2.5	3.0	2.4	2.4	3.46	3.99	3.82	3.65
Global ex US	3.8	3.5	3.7	3.6	2.4	3.0	2.5	2.5	3.43	3.91	3.70	3.50
Global ex China	3.1	2.9	3.1	3.0	3.2	3.6	2.9	2.8	4.48	4.76	4.54	4.33
Developed Markets	1.7	1.3	1.6	1.5	2.6	2.8	1.9	2.0	2.83	3.28	3.14	2.97
Emerging Markets	4.8	4.5	4.6	4.4	2.4	3.2	2.7	2.7	3.87	4.44	4.23	4.05
Emerging Markets ex China	4.6	4.5	4.7	4.5	4.0	4.6	4.2	3.7	6.24	6.30	5.97	5.68
Europe, Middle East and Africa (EMEA)	2.2	1.3	2.3	2.0	4.6	4.0	3.0	2.8	4.66	4.77	4.10	3.63
European Union	1.6	0.7	1.5	1.3	2.5	2.7	1.9	1.9	2.57	2.79	2.34	1.85
Emerging EMEA	3.5	2.6	4.0	3.2	9.7	7.2	5.6	4.8	8.51	8.38	7.26	6.70
Emerging Asia	5.5	5.3	5.1	5.1	0.9	2.3	2.0	2.3	2.03	2.88	2.94	2.94
ASEAN	5.0	4.8	4.6	5.0	1.6	3.5	2.8	2.6	3.95	4.10	3.92	3.45
Latin America	2.4	2.2	2.2	2.1	3.7	4.6	4.2	3.5	8.32	8.31	7.89	7.26
G6												
US	2.1	2.1	2.2	1.9	2.7	3.2	2.0	2.3	3.625	4.375	4.375	4.375
Euro area	1.5	0.5	1.3	1.1	2.1	2.6	1.7	1.8	2.25	2.50	2.00	1.50
Japan	1.1	0.6	0.7	0.7	3.2	1.7	1.3	1.4	1.00	1.50	2.00	2.00
UK	1.4	1.1	1.3	1.5	3.4	3.1	2.3	2.1	3.75	3.75	3.50	3.50
Canada	1.9	0.6	1.5	2.1	2.1	2.7	2.2	2.0	2.25	2.25	2.25	2.75
Australia	2.0	1.8	1.7	2.0	2.9	3.6	2.4	2.5	4.35	4.35	3.85	3.60
Euro area												
Germany	0.3	0.8	1.2	0.9	2.3	2.8	2.0	2.0	2.25	2.50	2.00	1.50
France	0.9	0.6	1.1	1.0	0.9	2.0	1.4	1.5	2.25	2.50	2.00	1.50
Italy	0.7	0.6	0.7	0.8	1.6	2.5	1.5	1.6	2.25	2.50	2.00	1.50
Spain	2.8	2.3	1.7	1.5	2.7	2.8	2.0	2.1	2.25	2.50	2.00	1.50
Netherlands	1.8	1.0	1.2	1.3	3.0	2.6	1.8	1.9	2.25	2.50	2.00	1.50
Belgium	1.0	0.7	1.2	1.0	3.0	3.1	1.5	1.7	2.25	2.50	2.00	1.50
Austria	1.0	0.9	1.4	1.5	3.6	3.0	2.1	2.2	2.25	2.50	2.00	1.50
Greece	2.2	1.7	1.8	1.7	2.9	3.9	2.5	2.2	2.25	2.50	2.00	1.50
Portugal	1.9	1.7	1.8	1.8	2.2	2.8	1.8	1.8	2.25	2.50	2.00	1.50
Ireland	12.4	-12.9	3.7	2.3	2.1	3.2	1.8	1.9	2.25	2.50	2.00	1.50
Finland	0.8	1.2	1.2	1.3	1.8	2.5	1.4	1.8	2.25	2.50	2.00	1.50
Other developed economies												
New Zealand	0.2	1.5	2.1	2.5	2.8	3.4	2.3	2.0	2.50	2.75	2.75	3.00
Switzerland	1.4	1.0	1.4	1.6	0.2	0.5	0.7	0.7	0.0	0.00	0.00	0.00
Norway	1.7	0.8	0.7	1.2	3.0	3.2	2.6	2.4	4.25	4.25	3.75	0.00
Sweden	1.7	1.9	2.2	2.0	2.6	1.0	1.7	2.6	1.75	2.00	2.00	2.00
Emerging Asia												
China	5.0	4.5	4.5	4.3	0.0	1.0	0.6	1.2	0.00	1.40	1.40	1.40
India	7.5	7.5	7.5	7.5	2.1	4.2	4.8	4.5	5.25	5.50	5.75	6.00
Indonesia	5.1	5.3	5.4	5.8	1.9	3.3	2.9	2.8	5.75	6.00	5.50	4.50
Korea	1.0	3.1	2.2	2.0	2.1	2.6	2.1	2.0	2.75	3.00	3.25	3.25
Taiwan	8.8	12.0	7.0	5.0	1.7	2.0	1.7	1.8	2.00	2.25	2.38	2.38
Thailand	2.4	2.1	2.2	2.0	-0.1	2.4	0.1	0.7	1.00	1.00	1.00	1.00
Malaysia	5.2	4.6	4.5	4.5	1.4	2.0	2.2	2.0	2.75	2.75	2.75	2.75
Philippines	4.4	2.5	3.5	4.5	1.7	6.7	4.9	3.5	4.75	5.00	5.00	4.25
Singapore	5.0	4.5	2.3	2.7	0.9	2.0	2.2	1.7				
Hong Kong	3.5	3.5	3.0	2.6	1.4	2.1	2.0	2.0	4.00	4.00	3.50	3.50
Vietnam	8.0	8.0	7.0	7.2	3.3	4.8	4.5	4.0	4.50	4.50	4.50	4.50

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 30: Global Economic Forecasts (continued)

Global GDP growth expected at 3.2% in 2026, 3.5% in 2027 and 3.3% in 2028

	GDP growth, %				CPI inflation*, %				Short term interest rates**, %			
	2025	2026F	2027F	2028F	2025	2026F	2027F	2028F	Current	2026F	2027F	2028F
Latin America												
Brazil	2.3	2.3	1.3	1.0	4.3	5.0	4.7	3.5	14.00	13.75	12.75	11.75
Mexico	0.7	1.5	1.6	1.3	3.7	3.7	3.9	4.2	6.50	6.50	6.50	6.50
Argentina	4.5	2.0	3.5	3.5	31.5	30.1	18.1	12.0				
Colombia	2.6	2.5	2.9	3.1	5.1	7.1	4.9	3.6	12.00	13.00	12.00	9.25
Chile	2.5	1.2	3.0	3.0	3.4	4.2	3.2	3.0	4.50	4.50	5.00	5.00
Peru	3.4	3.5	4.4	4.5	1.5	4.5	3.2	2.0	4.25	4.50	4.75	4.25
Ecuador	3.7	3.2	2.7	3.0	1.9	2.4	2.3	2.0		0.00	0.00	0.00
Uruguay	1.8	2.0	2.0	2.5	3.7	4.2	4.5	4.6	5.75	6.00	7.00	7.00
Costa Rica	4.6	3.7	4.0	3.8	-1.2	2.5	3.5	3.0	3.00	3.00	3.00	3.00
Dominican Republic	2.1	3.5	3.9	3.5	5.0	6.0	4.8	4.0	5.25	5.25	5.25	5.25
Panama	4.4	4.7	5.0	4.5	0.4	2.8	2.3	2.0				
El Salvador	3.9	4.0	3.2	3.2	0.9	3.1	2.0	1.7				
Guatemala	4.3	3.9	3.7	3.8	1.7	2.9	2.7	2.8	3.50	3.50	3.50	3.50
EEMEA												
Türkiye	3.7	2.8	4.2	3.3	34.9	31.2	27.1	30.0	37.00	36.00	31.00	34.00
Nigeria	4.0	4.1	4.3	4.0	23.0	16.0	12.0	10.0	26.50	26.50	22.00	19.00
Egypt	4.4	4.4	4.5	4.5	20.4	13.2	10.0	8.0	19.50	19.00	16.00	14.00
Poland	3.7	3.2	2.8	2.5	3.6	2.7	2.5	2.5	3.75	3.75	3.75	3.25
South Africa	1.1	1.3	1.5	1.7	3.2	4.1	4.0	4.0	7.00	7.25	6.25	6.00
Romania	0.6	0.0	2.5	2.5	7.3	8.0	4.3	3.5	6.50	6.50	5.75	5.25
Czech Republic	2.6	2.0	2.4	2.0	2.5	2.0	2.4	2.0	3.75	4.00	4.00	3.50
Israel	2.9	3.6	4.5	4.0	3.0	2.0	1.9	2.0	3.50	3.75	3.25	3.25
Hungary	0.4	1.9	3.0	2.5	4.4	2.0	2.5	2.5	5.75	5.25	4.50	3.50
Saudi Arabia	4.5	0.6	6.1	2.9	2.0	2.4	2.0	2.0	4.25	3.50	3.50	5.00

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 31: Real GDP growth, qoq annualized %

Global GDP growth expected at 3.2% in 2026, 3.5% in 2027 and 3.3% in 2028

	2Q 26	3Q 26	4Q 26	1Q 27	2Q 27	3Q 27	4Q 27	2025	2026	2027	2028
Developed Markets											
US	1.6	2.5	2.4	2.2	2.2	2.1	2.0	2.1	2.1	2.2	1.9
Euro area	0.6	1.4	1.5	1.3	1.2	1.1	1.1	1.5	0.5	1.3	1.1
Japan	0.7	0.4	0.6	0.5	1.4	0.6	0.8	1.1	0.6	0.7	0.7
UK	0.6	0.6	1.0	1.6	1.8	1.4	1.4	1.4	1.1	1.3	1.5
Canada	1.8	1.6	1.2	1.5	1.5	1.5	1.5	1.9	0.6	1.5	2.1
Australia	0.8	1.2	2.0	1.6	1.6	1.6	1.6	2.0	1.8	1.7	2.0
G6 Aggregate	1.1	1.7	1.8	1.6	1.7	1.5	1.5	1.7	1.3	1.6	1.5
Emerging Markets											
China	3.8	3.9	4.5	4.9	4.5	4.4	4.3	5.0	4.5	4.5	4.3
India	4.9	11.5	5.4	7.6	7.5	9.4	4.4	7.5	7.5	7.5	7.5
Indonesia	4.3	4.1	6.2	5.3	6.6	3.2	7.0	5.1	5.3	5.4	5.8
South Korea	2.5	0.2	0.6	3.4	2.7	2.8	2.5	1.0	3.1	2.2	2.0
Thailand	-3.1	1.2	7.1	3.3	1.0	-4.9	8.9	2.4	2.1	2.2	2.0
Singapore	2.0	-1.6	-1.6	5.7	3.2	3.2	3.2	5.0	4.5	2.3	2.7
Hong Kong	-16.3	11.4	15.2	0.8	1.5	-2.1	-2.1	3.5	3.5	3.0	2.6
Brazil	2.5	0.8	1.7	0.9	1.7	1.8	-0.1	2.3	2.3	1.3	1.0
Mexico	6.1	2.6	0.1	1.6	1.7	1.1	0.9	0.7	1.5	1.6	1.3
Colombia	2.4	3.6	3.6	2.4	2.4	2.8	2.8	2.6	2.5	2.9	3.1
Chile	4.2	3.6	3.6	2.4	2.4	2.4	2.4	2.5	1.2	3.0	3.0
Peru	2.4	4.9	4.9	4.1	4.5	4.5	4.5	3.4	3.5	4.4	4.5
Türkiye	2.4	4.2	4.5	4.5	4.1	4.1	4.1	3.7	2.8	4.2	3.3
South Africa	1.2	1.2	1.4	1.9	1.7	2.0	1.8	1.1	1.3	1.5	1.7

Source: BofA Global Research

BofA GLOBAL RESEARCH

Monetary policy forecasts

Exhibit 32: Monetary policy forecasts

End of period

Central Banks	Current	Jul-26	Aug-26	Sep-26	Oct-26	Nov-26	Dec-26	Jan-27	Feb-27	Mar-27	Apr-27	May-27	Jun-27
Developed Markets													
Fed (upper bound)	3.75	3.75	3.75	4.00	4.25	4.25	4.50	4.50	4.50	4.50	4.50	4.50	4.50
ECB (deposit rate)	2.25	2.25	2.25	2.50	2.50	2.50	2.50	2.50	2.50	2.25	2.25	2.25	2.00
BoJ	1.00	1.00	1.00	1.25	1.25	1.25	1.50	1.50	1.50	1.75	1.75	1.75	1.75
BoE	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
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
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
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
Norges Bank	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.00	4.00	4.00	3.75
RBA	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	2.50	2.50	2.50	2.50	2.50	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
Emerging Asia													
China 7d reverse repo*	0.00	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	5.50	5.50	5.75	5.75	5.75	5.75	5.75
South Korea	2.75	2.75	2.75	2.75	3.00	3.00	3.00	3.25	3.25	3.25	3.25	3.25	3.25
Taiwan	2.00	2.00	2.00	2.125	2.125	2.125	2.25	2.25	2.25	2.375	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	1.00	1.00	1.00	1.00
Philippines	4.75	4.75	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Latin America													
Brazil	14.00	14.00	14.00	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75	13.75
Chile	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.75	4.75	5.00
Colombia	12.00	12.00	12.00	12.00	12.50	12.50	13.00	13.00	13.00	12.75	12.75	12.75	12.50
Mexico	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
Peru	4.25	4.25	4.25	4.25	4.25	4.25	4.50	4.50	4.75	4.75	4.75	4.75	4.75
Emerging EMEA													
Czech Republic	3.75	3.75	3.75	3.75	3.75	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Hungary	5.75	5.75	5.50	5.50	5.50	5.50	5.25	5.00	5.00	4.75	4.50	4.50	4.50
Israel	3.50	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25
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
Türkiye	37.00	37.00	37.00	37.00	36.00	36.00	36.00	36.00	36.00	35.00	34.00	34.00	33.00

Source: BofA Global Research

BofA GLOBAL RESEARCH

FX, rates and commodity forecasts

Exhibit 33: Quarterly forecasts

End of period

	Spot	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Dec-28
FX forecasts								
G6								
EUR-USD	1.15	1.12	1.15	1.16	1.18	1.19	1.20	1.22
USD-JPY	159	153	149	149	148	146	145	145
EUR-JPY	184	171	171	173	175	174	174	177
GBP-USD	1.35	1.32	1.37	1.38	1.40	1.43	1.45	1.47
USD-CAD	1.39	1.44	1.43	1.42	1.40	1.38	1.38	1.36
AUD-USD	0.71	0.70	0.71	0.72	0.72	0.73	0.73	0.73
Asia								
USD-CNY	6.74	6.80	6.70	6.70	6.70	6.60	6.60	6.60
USD-INR	95.4	97.0	98.0	98.5	99.0	99.0	99.0	99.0
USD-IDR	17843	17900	18000	18100	18200	18200	18200	18200
USD-KRW	1415	1550	1560	1540	1520	1500	1500	1500
Latin America								
USD-BRL	5.19	5.00	5.00	5.00	5.00	5.00	5.00	5.00
USD-MXN	17.03	17.25	17.50	17.75	18.00	18.25	18.50	19.00
Emerging Europe								
EUR-PLN	4.31	4.33	4.28	4.25	4.22	4.18	4.15	4.10
USD-TRY	47.88	49.30	51.70	53.80	55.90	57.90	60.00	73.20
USD-ZAR	16.20	16.80	16.50	16.30	16.00	15.80	15.60	15.30
Rates forecasts								
2yr								
US 2-year	4.15	4.50	4.50	4.40	4.35	4.30	4.25	4.00
Germany 2-year	2.77	2.60	2.55	2.25	2.15	2.10	2.05	1.85
Japan 2-year	1.64	1.40	1.65	1.85	1.83	1.80	2.00	1.95
UK 2-year	4.31	4.15	4.05	3.95	3.85	3.75	3.60	3.60
Canada 2-year	2.93	3.00	3.05	3.10	3.15	3.20	3.25	3.25
10yr								
US 10-year	4.65	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Germany 10-year	3.13	2.90	2.90	2.75	2.70	2.70	2.60	2.50
Japan 10-year	2.88	2.65	2.85	3.00	2.95	2.90	3.00	2.80
UK 10-year	4.95	5.00	5.00	4.85	4.75	4.60	4.50	4.50
Canada 10-year	3.63	3.70	3.75	3.80	3.85	3.90	3.95	4.00
Commodities forecasts								
WTI Crude Oil - $/bbl	81.3	75.0	69.0	68.0	63.0	65.0	66.0	NA
Brent Crude Oil - $/bbl	87.1	79.0	73.0	72.0	67.0	69.0	70.0	NA
Gold $/oz	4315	3900	4250	4750	5000	5000	4500	4000

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.

BofA GLOBAL RESEARCH

Disclosures

Important Disclosures

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.

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.

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.
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.
Individuals identified as economists do not function as research analysts under U.S. law and reports prepared by them are not research reports under applicable U.S. rules and regulations. Macroeconomic analysis is considered investment research for purposes of distribution in the U.K. under the rules of the Financial Conduct Authority.
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.bofaml.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 (Zurich): Bank of America Europe Designated Activity Company, Zurich Branch, regulated by the Swiss Financial Market Supervisory Authority FINMA, the ECB and 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 (HKSFC); 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 HKSFC; 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.

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 2026 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 utilizes AI, including machine learning and other technologies, to enhance the services we provide to our clients. These technologies assist our analysts in various aspects of their work, including but not limited to data analysis, content extraction, content creation, data aggregation and summarization and identifying relevant information from diverse sources. All AI-driven processes are subject to review by BofA Global Research employees. 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 BofAS 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 BofAS 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

Global Economics

Claudio Irigoyen
Global Economist
BofAS
claudio.irigoyen@bofa.com

Antonio Gabriel
Global Economist
BofAS
antonio.gabriel@bofa.com

North America Economics

Aditya Bhave
US Economist
BofAS
aditya.bhave@bofa.com

Stephen Juneau
US Economist
BofAS
stephen.juneau@bofa.com

Shruti Mishra
US Economist
BofAS
smishra44@bofa.com

Developed Europe Economics

Ruben Segura-Cayuela
Europe Economist
BofA Europe (Madrid)
ruben.segura-cayuela@bofa.com

Evelyn Herrmann
Europe Economist
BofASE (France)
evelyn.herrmann@bofa.com

Chiara Angeloni
Europe Economist
BofA Europe (Milan)
chiara.angeloni@bofa.com

Asia Economics

Helen Qiao
China & Asia Economist
Merrill Lynch (Hong Kong)
helen.qiao@bofa.com

Rahul Bajoria
India & ASEAN Economist
BofAS India
rahul.bajoria@bofa.com

Izumi Devalier
Japan Economist
BofAS Japan
izumi.devalier@bofa.com

Takayasu Kudo
Japan Economist
BofAS Japan
takayasu.kudo@bofa.com

Anna Zhou
China & Asia Economist
Merrill Lynch (Hong Kong)
anna.zhou@bofa.com

Benson Wu, CFA
China & Korea Economist
Merrill Lynch (Hong Kong)
benson.wu@bofa.com

Ting Him Ho, CFA
Asia Economist
Merrill Lynch (Hong Kong)
tinghim.ho@bofa.com

Yvonne He
China & Asia Economist
Merrill Lynch (Hong Kong)
yvonne.he@bofa.com

Nick Stenner, CFA
Australia & NZ Economist
Merrill Lynch (Australia)
nick.stenner@bofa.com

Johnny Liu, CFA
Australia & NZ Economist
Merrill Lynch (Australia)
johnny.liu2@bofa.com

Smriti Mehra
India Economist
BofAS India
smriti.mehra@bofa.com

Kai Wei Ang
ASEAN Economist
Merrill Lynch (Singapore)
kaiwei.ang@bofa.com

Jojo Gonzales ^^
Research Analyst
Philippine Equity Partners
jojo.gonzales@pep.com.ph

Pipat Luengnaruemitchai
Emerging Asia Economist
Kiatnakin Phatra Securities
pipat.luen@kkpfg.com

EEMEA Economics

Jean-Michel Saliba
EEMEA Econ Head/MENA Economist
MLI (UK)
jean-michel.saliba@bofa.com

Mai Doan
CEE Economist
MLI (UK)
mai.doan@bofa.com

Vladimir Osakovskiy >>
EM Sovereign FI/EQ strategist
Merrill Lynch (DIFC)
vladimir.osakovskiy@bofa.com

Hande Kucuk
Turkey & Israel Economist
MLI (UK)
hande.kucuk@bofa.com

Tatonga Rusike
Sub-Saharan Africa Economist
MLI (UK)
tatonga.rusike@bofa.com

Loic Porte
Sub-Saharan Africa Economist
MLI (UK)
loic.porte@bofa.com

Latin America Economics

Carlos Capistran
LatAm and Canada Economist
BofAS
carlos.capistran@bofa.com

David Beker >>
Bz Econ/FI & LatAm EQ Strategy
Merrill Lynch (Brazil)
david.beker@bofa.com

Pedro Diaz
Caribbean Economist
BofAS
pdiaz2@bofa.com

Gustavo Mendes
Brazil Economist
Merrill Lynch (Brazil)
gustavo.mendes@bofa.com

Alexander Muller
Andean(ex-Ven) Carib Economist
BofAS
alexander.muller@bofa.com

Natacha Perez
Brazil Economist
Merrill Lynch (Brazil)
natacha.perez@bofa.com

Sebastian Rondeau
Southern Cone & Venz Economist
BofAS
sebastian.rondeau@bofa.com

BofA Securities participated in the preparation of this report, in part, based on information provided by Philippine Equity Partners, Inc. (Philippine Equity Partners). ^^Philippine Equity Partners employees are not registered/qualified as research analysts under FINRA rules.
>> Employed by a non-US affiliate of BofAS and is not registered/qualified as a research analyst under the FINRA rules.
Refer to "Other Important Disclosures" for information on certain BofA Securities entities that take responsibility for the information herein in particular jurisdictions.