Global Rates Weekly

Double WAMmy

25 April 2025

Rates Research
Global

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The View: Data and US refunding in focus

We update yield forecasts to reflect fewer hikes (Japan), 2026 cuts (US) and lower troughs (Euro Area, UK). Next week sees a heavy US data calendar with NFP, ISM, PCE inflation, etc, but US refunding announcement possibly more important. BoJ and EA, AU CPI also in the mix.

Rates: Bond market finds its footing

US: We tactically adjust our curve & spread views ahead of UST refunding next week. US rate forecasts updated. X-date is pushed to fall with recent data.

EU: We tweak our rate forecasts to account for a lower terminal rate in our economists' baseline. We tactically closed our rec Dec €str last week but still like long 15y FR.

UK: Get active: DMO gradualism is last (fiscal) year's thing. This, our lower Bank rate profile, and the carrot of a QT slowdown underpin our constructive Gilt view.

JP: BoJ likely to stand pat at 1 May MPM; Governor Ueda to strive for a balanced tone while acknowledging downside risks.

CA: Our economists revised BoC call and now expect terminal at 2%, down from 2.5% prior. We keep our CAD rates forecasts unchanged.

Front end: US debt limit update, LCR update in EUR

US: Better UST fiscal income pushes back our X-date. Our new X-date estimate = late Oct, though could hit by late Aug or early Oct. DL risk averse bill investors should target maturities after Sept corp date with lower default risk.

EU: We think banks mainly bought EGBs by creating liabilities and not with reserves; pressure to meet daily payments may come sooner and widen front-end spreads.

Inflation: Forecast less front-end inflation premium

US: Expect front-loaded inflation risk premium to unwind as market moves past peak tariff uncertainty; short 1y & long 2y3y inflation swaps.

Technicals: SPX death cross signal = Bullish bonds

A death cross signal on SPX is bullish bonds. In the past, bonds have been up 20-80 trading days later 78% of the time. This suggests US1 is > 114-16 in June-Aug 2025.

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Our medium term views

Exhibit 1: Our medium-term views
Global views

Rationale	
Duration	• US: slight constructive duration bias, trade 4-5% range in 10y and fade extremes • EU: We turned tactically neutral on the very front-end following the significant rally. We expect lower rates (terminal of 1.25 vs market pricing of 1.55), but believe risk-reward for a long position is more balanced near term. For now, we favour a long position in 15y OATs to express our bullish duration bias. • UK: We are broadly neutral Sonia relative to the forwards in the 10y, forecasting Sonia at 4.10% by end-2025 and 4.20% by end-2026. We are constructive Gilts at current levels. • JP: We believe the JGB yields will rise in a gradual manner. Our 10yr JGB yield forecast at end-2025 is 1.65%. The BoJ is still on track for gradual normalization. • AU: bullish 3-5y sector as prices converge with our expected terminal cash rates/ neutral rate. Risk of overshoot in global equity market sell-off.
Front end	• US: Mar / Sept '25 SOFR/FF curve flattener with (1) 1H '25 TGA drop & funding stability (2) TGA snapback in 2H '25 • EU: Bank demand for excess liquidity may outstrip supply. Wholesale funding cost to rise: Euribor-€str widening, repo to stay cheap vs €str. • UK: Growth risks, a potentially disinflationary tariff impact, and lower energy prices imply risks shifting to faster cuts than our baseline quarterly path. We receive Nov MPC. • JP: We expect the BoJ to deliver two additional rate hikes in 2025. TONA is likely to remain slightly below IOER in 2025. • AU: We recommend Mar '25/ Sep '25 BOB steepeners to position for tighter funding market spreads and uneven global liquidity dynamics in H1/H2 '25
Curve	• US: We favor 5s30s steepeners on potential for pricing of Fed cuts to pressure the belly and supply concerns to pressure the backend • EU: We expect a repricing of the terminal rate lower over time, This should come with slightly more steepening than forwards are pricing in 2H25. We look for a shift in P&I duration demand from the 30y to shorter maturities, leading to additional steepening pressures on 10s30s from mid year. • UK: We maintain our short in 3s5s7s Sonia fly which is directional with 2s10s Sonia curve steepeners. • JP: We expect the 5s30s JGB curve to flatten, reflecting the potential policy rate hikes and upcoming cut in 30yr and 40yr JGB auction sizes from April. • AU: The 3s10s curve should steepen to around 100bps over the next 12 months.
Inflation	• US: Short 1y inflation on expectation for narrowing tariff upside risk premium and long 2y3y on higher realized inflation medium term • EU: We favor receiving the forward real yield between BTPei 2033 and BTPei 2039 BTPei 2039 iota narrowers, and US-Euro 2y3y inflation spread wideners. • UK: We recommend a UKTi 2032/2036/2047 cash-and-duration neutral barbell to express a forward real curve flattening view. • JP: 10y BEI should increase in 2025, given a rise in USD/JPY and supports from the BoJ and MoF.
Spreads	• US: long 30Y spreads into refunding announcement – but long term bearish long end spreads. • EU: we are neutral on periphery spreads. We see risks of a widening near term, but believe medium to long term outlook is more positive, We turn bullish on OATs for the very near term. We expect stable 5-10y swap spreads near term, but see scope for some cheapening in 2-10y spreads in 2H25 and 2026, vs some richening in 30y Buxl spreads. • UK: We expect low coupon UKT 0.125% 2028s to perform relative to UKT 4.375% 2028s on ASW. • JP: We expect medium-term spreads to remain positive within 2025 given (1) the potential for additional BoJ rate hikes and (2) BoJ's QT. • AU: We see wider swap spreads, especially in the front end given elevated funding risks, but flatter swap EFP box given bond supply is typically concentrated around 10y sector.
Vol	• US: Vol supported by uncertainty. '25 targets: 100-115bp 1y10y in 1H & 85-100bp in 2H; 1y1y c.110-120bp, Gamma flat vs intermediates • EU: We expect implied vols to come lower with 1y10y around 70bp range and LHS cheapening vs RHS. Gamma to stay well supported (1y10y vs 1m10y at 0-5bp). • AU: Lower vol with 1y10y c.70bpbp and left side likely to underperform the right side in'25

Source: BofA Global Research

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Our key forecasts

Exhibit 2: Our key forecasts
Global forecasts

% EoP	2023	2024	Q2 25	Q3 25	YE 25	Q1 26	Q2 26	YE 26
Fed Funds	5.25-5.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	3.25-3.50
10-year Treasuries	3.88	4.57	4.35	4.40	4.50	4.55	4.60	4.75
ECB refi rate	4.50	3.15	2.15	1.65	1.40	1.40	1.40	1.65
10y Bunds	2.02	2.36	2.45	2.40	2.50	2.60	2.70	2.75
BoJ	-0.10	0.25	0.50	0.50	0.50	0.50	0.75	1.00
10y JGBs	0.61	1.09	1.35	1.43	1.50	1.53	1.60	1.75
BoE base rate	5.25	4.75	4.25	3.75	3.50	3.50	3.50	3.50
10y Gilts	3.53	4.56	4.45	4.45	4.45	4.45	4.50	4.55
RBA cash rate	4.35	4.35	3.85	3.85	3.60	3.60	3.60	3.60
10y ACGBs	3.96	4.36	4.05	3.90	3.75	3.80	3.85	4.00

Source: BofA Global Research

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What we like right now

Exhibit 3: What we like right now
Global views

AMRS :	Constructive duration, short 30Y spreads, long 1y4y inflation, long fwd vol
EMEA :	We are long 15y OATs and in 2y3y US-EUR inflation spread wideners.
APAC:	Buy 3y bond futures (YM), pay Aug '25 RBA as hedge. Spreads: Mar/ Sep bills OIS basis steepener.

Source: BofA Global Research; For a complete list of our open trades and those closed over the past 12 months, please see below.

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The View

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The week that will be

We update yield forecasts, in light of the evolving trade war and new forecasts from our economists (see Global Economic Viewpoint 21 Apr 25). The main changes are to front-ends to reflect fewer hikes (Japan), 2026 cuts (US) and lower troughs (Euro Area, UK). Relative to forwards we continue to expect steeper curves in 2026 in EUR and USD.

Next week sees a heavy US data calendar with payrolls, ISM, and PCE inflation and personal spending to count just a few. We suggested in our last weekly (see GRW 11 April 25) that the suspension of reciprocal tariffs would allow data to move into focus. That was not to be. Next week's data may also be drowned out by headline noise but represents an important health check for the US consumer.

Equally important is the US refunding announcement, where we expect to see some signal of support for UST market functioning. We closed our long-end ASW shorts, and 2s5s30s fly and switch to OIS curve flatteners on delayed Fed cuts (see US Rates Viewpoint 22 Apr 25). The long-end may also receive support from the bearish trend signal in the S&P500. After the 50d SMA crossed below a declining 200d SMA on the S&P 500, the US long bond treasury future was up 78% of the time 20-80 trading days later (see Quantifying Technicals 23 Apr 2025).

For the Euro Area (EA), we will see the April flash HICP print, as well as 1Q25 GDP. Inflation data is affected by Easter seasonality and 1Q activity data is likely too early to show the trade policy uncertainty shock. We remain long duration (in spread product – 15y France), though we did close our front-end longs after last week's ECB (see European Rates Alpha 17 Apr 25).

Our economists now see the BoJ on hold for the remainder of 2025 (see Japan Viewpoint 21 Apr 25). With little priced for next week's meeting, the main focus will be on new forecasts and the press conference. Given the repricing of the BoJ, risks seem skewed towards a bear flattening of the JPY curve (see Japan Macro Watch 24 Apr 25).

Finally, our economists are looking for a slightly above consensus trimmed mean CPI print in Australia. However, returning to the band for the first time in three years should leave the door wide open for a cut in May. We stay long AU receiver spreads.

The weeks that were

We were wrong about the messaging risks from the BoC and the ECB (see GRW 11 Apr 25). The BoC surprised us by staying on hold, while the ECB was perceived as dovish by the market despite dropping the reference to rates being restrictive (see Canada Watch 16 Apr 25 and EA Watch 17 Apr 25).

The bigger market mover however was the speculation around Jay Powell's future as Fed Chair, which weighed on the long-end of the UST curve as well as the dollar. While walked back since, the fact that USD remains near the recent lows and Bund-UST spreads near their wides point to the persistence of the US specific risk premium the current geopolitical developments risk generating (see Liquid Insight 10 Apr 25 and Liquid Insight 6 Mar 25).

Finally, the DMO surprised markets with a considerable skew shorter in the Gilt remit (see UK Rates Watch 23 Apr 25). While not as aggressive as Mark Capleton's campaign (see UK Rates Viewpoint 19 Mar 25), the change from the DMO has helped reverse the steepening trend in the UK long-end.

Rates – US

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- Refunding trades: tactical long back-end spreads, UST fly to OIS flattener.
- Rate forecasts updated after US econ revisions; X-date pushed to late Oct.

Bond market finds footing amidst cooling concerns

US rates modestly bear flattened this week amidst tariff de-escalation comments + mounting expectation for May refunding meeting Treasury support signals. Tempering of Trump threat to remove Fed Chair also helped reduce UST long end concern. We update our US rate forecasts after economist revisions & adjust trade views ahead of May refunding risk event. Overall, we revise down front-end rate forecasts with shifting US economist views + turn tactically bullish back-end UST spreads ahead of refunding.

Our core views: **duration** = soft long duration bias in belly of curve (5Y preferred target); **curve** = front end OIS curve flattener with too many near-term cuts priced; **front end** = long July SOFR/FF due to upcoming bill cuts & funding stability; **spreads** = tactical long in 30Y spreads ahead of May refunding; **inflation** = short 1Y with too much near-term inflation risk priced + long 2y3y inflation with too little medium-term risk (see Inflation - US) **vol** = 1m 2s30s bull flattener to position for Treasury refunding risk.

US rate forecast revisions: lower front end with Fed cuts

We revise our US rate forecasts after a shift from our US economists. Our economists revise growth lower, inflation higher, & more stagflation risk. They now expect 100bps of Fed rate cuts in 2H '26, not until after inflation peaks (see: Surfing tariff wave).

Our rate forecasts now reflect a lower path of front-end & belly rates but no change to our end '25 & '26 10Y forecasts (Exhibit 1). We also bump up our 30Y forecast to reflect increased supply / demand concerns. Our rate forecasts vs forwards: **near-term** = flatter with fewer near-term Fed cuts; **medium-term** = steeper due to later Fed cuts & continued back-end supply / demand concerns.

Exhibit 4: US rates forecasts
We revise lower US rate forecasts after our economist shift in Fed view

New Forecast	2Q25	3Q25	4Q25	1Q26	2Q26	4Q26	Old Forecast	2Q25	3Q25	4Q25	1Q26	2Q26	4Q26
2y Govt	3.90	3.80	3.75	3.75	3.75	3.85	2y Govt	4.00	4.00	4.00	4.05	4.10	4.25
5y Govt	4.00	4.05	4.10	4.15	4.20	4.25	5y Govt	4.10	4.15	4.20	4.25	4.30	4.40
10y Govt	4.35	4.40	4.50	4.55	4.60	4.75	10y Govt	4.30	4.40	4.50	4.55	4.60	4.75
30y Govt	4.75	4.80	4.90	4.95	5.00	5.10	30y Govt	4.70	4.75	4.80	4.85	4.90	5.00
Curves							**Change**						
2s10s	0.45	0.60	0.75	0.80	0.85	0.90	2y Govt	-0.10	-0.20	-0.25	-0.30	-0.35	-0.40
2s5s	0.10	0.25	0.35	0.40	0.45	0.40	5y Govt	-0.10	-0.10	-0.10	-0.10	-0.10	-0.15
5s30s	0.75	0.75	0.80	0.80	0.80	0.85	10y Govt	0.05	0.00	0.00	0.00	0.00	0.00
10s30s	0.40	0.40	0.40	0.40	0.40	0.35	30y Govt	0.05	0.05	0.10	0.10	0.10	0.10

Source: BofA Global Research

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May refunding: seeking a signal

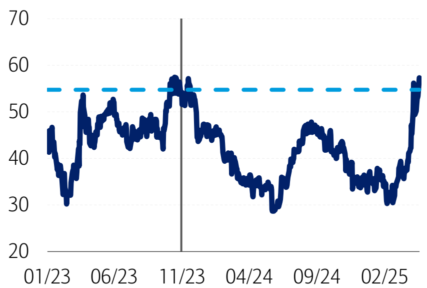
US rate volatility has increased market focus on the May UST refunding. We expect nominal coupon sizes to remain stable. Market focus will be on any signal provided to ameliorate recent worsening in UST liquidity. Recent UST volatility + rising "term premiums" may cause UST to signal official sector support is ready. Key signals to watch: (1) larger back-end buyback sizes (2) issuance flexibility, esp in long end. For detail see: May refunding: seeking a signal.

Higher deficits will require increased coupon sizes. We currently pencil in nominal coupon growth starting at the November '25 refunding; we expect forward guidance on stable coupons for "several quarters" to be removed. Risks are skewed later. When Treasury raises issuance we assume growth would be across the curve in proportion to current issuance sizes. Risks skew to a lower UST WAM, which could be flagged in May. We see risks of this since some measures of UST dislocation are worse than Nov '23, when Treasury last surprised with smaller than expected long-end auction sizes (Exhibit 5, Exhibit 6, Exhibit 7).

We believe the market underprices risk of a UST support signal. We adjust our spread & curve views + offer 1m 2s30s bull flattener to position for this potential outcome.

- **Spread curve**: we close our 2s30s spread curve flattener and our 30y spread short. We suggest a long 30Y spread position going into refunding. Longer term, we remain bearish on 30Y spreads if Treasury does not adopt a more active role in UST market management.
- **UST curve**: we close our 2s5s30s UST curve fly & shift to intermediate dated OIS curve flattener. Fed is stuck near term, cuts can build over medium term.
- **1m fwd 2s30s bull flattener**: costless to leverage potential near-term curve flattening pressure; Risk = bull steepening dynamic on frontloaded Fed cuts.

Exhibit 5: 10y20y30y butterfly (BPS)
20y is cheaper on the fly vs Oct '23



Source: BofA Global Research, Bloomberg; Note = dashed blue line = Oct '23 average, trip wire = Nov '23 refunding
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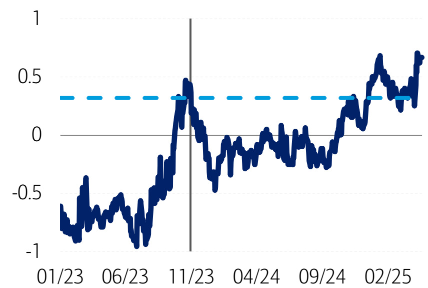
Exhibit 6: 10y term premium (PPTS)
Term premium is higher vs Oct '23



Source: BofA Global Research, Bloomberg; Note = dashed blue line = Oct '23 average, trip wire = Nov '23 refunding
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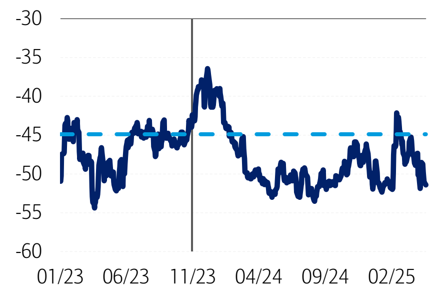
Exhibit 7: 30y less 5y swap spread (BPS)
30y spread curve is flatter vs Oct '23



Source: BofA Global Research, Bloomberg; Note = dashed blue line = Oct '23 average, trip wire = Nov '23 refunding
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X-date shift: point est = late Oct, earliest = late Aug

We also update our X-date forecasts following new data on tax income & tariff revenue. The larger than expected fiscal income pushes back our X-date from late August. Our new X-date point estimate is late October, though reasonable bands of uncertainty could see the X-date reached as soon as late August or early October. We expect Treasury to inform Congress the X-date will be reached by fall with risks of binding by late August.

We continue to recommend bill investors target zones of lower default risk. The most relevant zone with our updated X-date tracking is from Sept 16-18. Bills that mature in this zone will be subject to lower default risk due to the mid-Sept corp tax date. Very risk averse bill investors might also consider a similar zone from July 1-3 that benefits from a June 30 technical measure on that provides $145b of X-date breathing room.

For detail see: Debt limit update & Front-end – US.

Bottom line: we update rate forecasts and hold core duration views. We tactically adjust our curve and spread views ahead of UST refunding next week, which is likely to send signal on buybacks and less long-dated issuance. X-date is pushed to fall with recent data.

Rates – EU

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- We tweak our EUR rate forecasts incorporating our economists' updated baseline. We closed our received Dec ECB €str position last week given the extent of the rally. We think it will take time for the market to believe in sub 1.5% terminal rate. We favour being long 15y France, expecting also some spread tightening.

Lower terminal ECB rate, lower yields forecasts…

As part of a global review of the tariff implications (Surfing the tariff wave, 21-Apr), our economists cut their growth forecasts and revised their ECB call: they continue to look for back to back cuts until Sep, when the Depo rate would reach 1.5%, but now add another 25bp cut in Dec to a terminal of 1.25%. A first hike is still envisaged in Dec 2026, with quarterly moves thereafter until the Depo rate is back to 2-2.5%. We subsequently revise our EUR rate forecasts, with the largest adjustments naturally coming in short-dated tenors (new forecasts in Exhibit 8 and changes in Exhibit 9).

Exhibit 8: New EUR rate forecasts
We see modest rally from here, with 10y Bund yields bottoming at 2.40%

	latest	Q2 25	Q3 25	YE 25	Q1 26	Q2 26	YE 26
3m Euribor	2.16	1.90	1.60	1.40	1.40	1.45	1.75
2y BKO	1.68	1.70	1.60	1.65	1.85	1.95	2.15
5y OBL	1.98	2.00	1.95	2.05	2.20	2.30	2.40
10y DBR	**2.45**	**2.45**	**2.40**	**2.50**	**2.60**	**2.70**	**2.75**
30y DBR	2.88	2.90	2.85	2.95	3.00	3.10	3.15
2y swap *	1.88	1.85	1.75	1.75	1.90	2.00	2.20
5y swap *	2.12	2.15	2.10	2.15	2.25	2.35	2.45
10y swap *	**2.45**	**2.45**	**2.40**	**2.45**	**2.50**	**2.60**	**2.65**
30y swap *	2.44	2.45	2.45	2.55	2.70	2.80	2.90
2y OIS	1.64	1.65	1.55	1.55	1.70	1.80	2.00
5y OIS	1.93	1.95	1.90	1.95	2.05	2.15	2.25
10y OIS	**2.30**	**2.30**	**2.25**	**2.30**	**2.35**	**2.45**	**2.50**
30y OIS	2.37	2.40	2.40	2.50	2.60	2.70	2.75

Source: BofA Global Research. (*) 6M Euribor swaps. Latest as of 24-Apr

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Exhibit 9: Changes to EUR rate forecasts
We mark to market forecast for Q2, and adjust 2H25 forecasts lower on lower terminal ECB rate. Changes to 10y yields are more limited, as the market is likely to continue pricing in hikes in 2026 and beyond

	Q2 25	Q3 25	YE 25	YE 26
3m Euribor	0	-5	-30	0
2y BKO	-40	-25	-30	-5
5y OBL	-40	-25	-20	-5
10y DBR	-30	-10	-10	0
30y DBR	-15	-10	-10	-10
2y swap	-35	-20	-25	0
5y swap	-25	-10	-10	0
10y swap	-15	0	-5	0
30y swap	-5	0	-5	0

Source: BofA Global Research

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Our 2y+ OIS forecasts are only slightly bullish relative to forwards (Exhibit 10). Market already repriced the terminal Depo rate meaningfully, to around 1.55%, and even if we envisage it to come 30bp lower, we are assuming the market will price in more rapid hikes for 2026-27. Currently. forwards are pricing in an early start of ECB hikes, in 3Q26, but a slow paced one: the first 25bp of hikes are only fully implied by May-27.

Exhibit 10: Difference between our OIS forecasts & market forwards
We are modestly bullish vs the forwards in 2H25 for 2s, 5s and 10s

	Q2 25	Q3 25	YE 25	Q1 26	Q2 26	YE 26
2s	3	-8	-12	-3	1	6
5s	1	-8	-7	-2	3	2
10s	-1	-9	-7	-6	1	-2
30s	3	3	12	21	31	34
2s5s	-2	0	5	1	2	-4
2s10s	-4	-1	5	-3	0	-7
10s30s	4	12	19	27	30	36

Source: BofA Global Research. Forwards as of 24-Apr.

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Exhibit 11: Forecasts for German swap spreads (vs 6s and vs OIS)
Forecast c.5bp tightening in swap spreads by YE25 & another 5bp in '26

	Latest	Q2 25	Q3 25	YE 25	Q1 26	Q2 26	YE 26
2y ss vs 6s	20	15	15	10	5	5	5
5y ss vs 6s	14	15	15	10	5	5	5
10y ss vs 6s	-1	0	0	-5	-10	-10	-10
30y ss vs 6s	-44	-45	-40	-40	-30	-30	-25
2y vs €str	-3	-5	-5	-10	-15	-15	-15
5y vs €str	-5	-5	-5	-10	-15	-15	-15
10y vs €str	-15	-15	-15	-20	-25	-25	-25
30y vs €str	-51	-50	-45	-45	-40	-40	-40

Source: BofA Global Research. Latest as of 24-Apr

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In the long-end, we still project an extension of the steepening in 10s30s from 2H25 onwards, on the back of the Dutch pension fund reform. However, we are neutral in the near term. In [Liquid insight, 2-Apr], we flagged 5 factors that could limit the extent of the steepening, especially near-term. One of them is the uncertainty and likely delays stemming from potential amendments to the law. This week, uncertainty increased with the ruling parties managing to get additional support in favour of the introduction of individual rights of consent. The lower house will vote on the amendments on May 13th. The decision by small opposition parties will be key to the outcome of that vote.

For swap spreads, we see a mild 5bp cheapening vs €str across all tenors in 4Q25, and another 5bp cheapening in 2026 (overall: a reversal of the recent risk-off led richening observed since US liberation day) – Exhibit 11. The cheapening is slightly larger in Schatz spreads vs 6s given the larger widening recorded there. We continue to think that a spread of c.-25bp vs €str in 10y is consistent with the overall c.20bp extra "credit risk" we thought would be embedded in DE bonds due to the change in debt brake.

The tightening we foresee is also limited because we expect additional supply pressures to be offset by banks paying in swaps in the selloff, and their increased demand for EGBs. While Euro area bank holdings of EGBs have already risen to a record high, the latest ECB Bank Lending Survey shows that bank expect to still increase their holdings in 2Q25-3Q25 as ECB QT continues. Our interpretation is that banks are offsetting the reserve decline from QT in their HQLA portfolio with higher EGBs to sustain a high LCR level (see Front-end EU).

Separately, we continue to look for a medium to long-term convergence between Bund and Buxl spreads due to the Dutch pension reform (as the latter leads to more swaps receiving by pension funds in 10y and an end of their receiving in 30y swaps).

On inflation, our economists marked down their Eurozone CPI forecasts for 2025 by a tenth to 1.7% and for 2026 by two tenths to 1.4%, on the back of lower energy, a stronger currency and weaker prospective demand. They see risks to these expectations as skewed to the downside. Both numbers are meaningfully lower than priced by the market (1.96% and 1.62%, respectively), pointing to a lower and steeper inflation curve.

So it is interesting that the market actually prices a flattening of the inflation curve over the next twelve months, with EURi 2s10s shifting from 33bp to 22bp – the opposite of what we would expect (and a little at odds with the 50bp of steepening in US 2s10s inflation that is priced to the same horizon). Tactically, we would also expect inflation curve steepening to be underpinned over the next six weeks by strong end-April and end-May index extensions (with DBRi 4/26s and BTPei 5/26s exiting indices, the BTPei 2056s being launched and the long skew to France's linker supply this month).

… But it may take time for additional front-end rally

Last week's ECB meeting delivered several dovish undertones, with a focus on the negative of tariffs on growth and macro uncertainty, and a door being opened to cuts below neutral. The market responded clearly to all the dovish signals, with a rally of over 10bp in front-end rates, moving terminal Depo pricing to c.1.55%. Although this is still higher than our economists' baseline, we closed our received Dec ECB €str trade, seeing near term risks as more balanced after the large rally (European rates Alpha, 17-Apr).

We continue to favour 15y France to express our bullish duration bias near term (current: 3.6%, target: 3.5%, stop: 4.05%). This is in part a credit spread view too, as we believe that OATs could be particularly supported by large coupons and redemptions due on May 25th, reduced political concerns, and the bid from domestic life insurers on any selloff. We also flag that demand can come from international investors too given the significantly improved FX hedged pick-up vs USTs compared to the start of the year (currently 115bp vs USTs in the 10y on a 3m FX hedged basis, up from 40bp in Jan). The main risks to the trade are an upside surprise on inflation (from a duration perspective) and a negative rating decision on France (next review is by S&P on May 30th).

Rates – UK

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- Get active! DMO gradualism is last (fiscal) year's thing. This, our lower Bank rate profile, and the carrot of a QT slowdown underpin constructive Gilt view.

Revised remit, revised thinking

The DMO delivered, we are hopeful that the BoE will do too

The DMO's unusual step of using Wednesday's Remit revision as an opportunity to reshape the issuance programme more significantly prompted a sharp bull flattening led by the 30y, although some of the long-end Gilt performance reversed on the follow (for details on Wednesday's Remit revision, see Revised remit, revised thinking, 23 April). We strongly suspect that a steepening in 10s30s of more than 20bp since the Spring Statement – highlighting the fragile state of the long end – prompted the change.

The DMO's proactive approach to Gilt supply/demand dynamics reinforces our constructive outlook for Gilts, reflected in our updated UK rate forecasts outlined below. It may also prove a blueprint for the UST in May: our team expect the Treasury to signal official sector readiness to ameliorate recent worsening in UST liquidity via larger back-end buyback sizes and issuance flexibility, especially in the long end (for more, see May refunding preview: seeking a signal, 22 April).

We think that chances of a slower QT pace from October are non-zero and could prove the next potential positive for Gilts. We take the slight BoE QT Gilt sales' calendar amendment on 10 April, replacing the scheduled long-dated Gilt operation for 14 April with a short-dated one and shifting the long sale to 3Q25, as a signal that the Bank is keeping an eye on market weakness and may be coming round to the idea that QT is having a more meaningful impact on the market. BoE Huw Pill's comments on Wednesday – highlighting the question over whether QT may exacerbate rises in bond yields in times of market stress and reiterating that the central bank is ready to tweak its balance sheet run-off in response to market volatility – reinforced our view.

On demand, next week's BoE Bankstats' March data will be interesting, but strong conclusions might need to wait for when seasonals are less influential on foreigners (2Q at least). In the meantime, we would highlight that for USD investors, 30y Gilts appear the most attractive on a full FX hedged basis among the non-spread products (ie, excl. France, Spain and Italy), but not so on a rolling hedged basis (Exhibit 12 and Exhibit 13).

Exhibit 12: USD investor pickup of bond hedged using xccy swap over domestic equivalent, bp

For USD investors, 30y Gilts appear the most attractive on a full FX hedged basis among the non-spread products...

	DE	FR	ES	IT	JPY	GBP	AUD	CAD
2y	-17	0	2	13	17	-6	-18	4
5y	-28	15	8	45	18	-6	-32	-10
10y	-32	41	33	79	18	7	-36	-29
30y	-37	65	68	114	26	28	-6	-44

Source: BofA Global Research. Calculation as of 24 April 2025.

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Exhibit 13: USD investor pickup of bond hedged using 3m FX swap over domestic equivalent, bp

... but not so much on a rolling FX hedged basis

	DE	FR	ES	IT	JPY	GBP	AUD	CAD
2y	14	31		43	93	19	-12	60
5y	30	72	65	102	100	17	2	68
10y	39	111	104	149	105	30	32	69
30y	35	137	139	185	196	59	53	56

Source: BofA Global Research. Calculation as of 24 April 2025.

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Meanwhile for a broad range of investors, 30y appears to be the most attractive across the GBP curve on a full FX hedged basis but again less so on FX hedged basis (Exhibit 14 and Exhibit 15 on the following page).

Exhibit 14: Pickup using xccy swap, bp
For many, 30y the most attractive across the GBP curve using xccy swap...

Investor	2y	5y	10y	30y
USD	-6	-6	7	28
DE	11	22	38	65
FR	-6	-21	-34	-37
ES	-8	-14	-27	-40
IT	-19	-51	-72	-86
JPY	-23	-24	-11	2
AUD	12	26	42	34
CAD	-11	3	35	72

Source: BofA Global Research. Calculation as of 24 April 2025.

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Exhibit 15: Pickup using 3m FX swap, bp
... but less so on FX hedged basis

Investor	2y	5y	10y	30y
USD	19	17	30	59
DE	6	-12	-7	25
FR	-10	-54	-80	-77
ES		-47	-72	-79
IT	-22	-84	-117	-125
JPY	-69	-79	-71	-133
AUD	31	14	-1	6
CAD	-40	-50	-38	4

Source: BofA Global Research. Calculation as of 24 April 2025.

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Updated forecasts: expect Gilt performance vs. Sonia and on cross-market basis

We update our UK rate forecasts to reflect our new BoE call, the latest supply/demand dynamics, and mark-to-market. Our economists now expect the BoE to cut rates in May, Aug, Sep, and Nov (vs. May, Aug and Nov before) and do not rule out a lower terminal of 3.25% (see Lower growth and inflation, faster BoE, 22 April). Our 3m Sonia forecasts are mildly below the forwards in late 2025 (market not fully pricing in our base case). 2y Sonia edges marginally below the forwards over the forecast horizon with the forwards pricing in some chance of hikes from 2026. 10y Sonia is broadly in line with the forwards (Exhibit 16 and Exhibit 17).

Exhibit 16: BofA Sonia yield forecasts, %
Our 3m Sonia forecasts are mildly below the forwards in late 2025...

	Sonia			
	Q2 2025	Q3 2025	Q4 2025	Q4 2026
3m Sonia	4.00	3.60	3.50	3.50
2y	3.60	3.50	3.50	3.50
5y	3.70	3.70	3.70	3.80
10y	4.00	4.05	4.10	4.20
30y	4.40	4.40	4.40	4.40

Source: Bloomberg, BofA Global Research

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Exhibit 17: BofA Sonia yield forecasts vs. forwards, bp
... while 10y is mostly in line

	Sonia forecast vs. forward			
	Q2 2025	Q3 2025	Q4 2025	Q4 2026
3m Sonia	5	-9	-4	5
2y	-1	-5	-3	-9
5y	1	2	0	-1
10y	0	3	6	4
30y	0	-1	-2	-6

Source: Bloomberg, BofA Global Research

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Our Gilt yield forecasts lie below the forwards and imply performance relative to Sonia further out on the curve: we expect the medium "bucket" – defined as 7-15y by the DMO – to remain the "pivot point" for the DMO. Cross-market, our forecasts imply performance relative to USTs and Bunds (Exhibit 18 and Exhibit 19). Heavier redemptions in shorts and longs relative to the mediums in the second half of the year (July seeing the largest monthly flow) should help absorb some of the heavier Gilt supply for the case of the former and lend further support for the latter. Risk to our view is acceleration in fiscal fears into Autumn, for example if potential of government breaking their fiscal rules becomes more likely. Seasonals should add to the QT slowdown theme into late summer, as would the de-regulation theme, were it to pick up momentum.

Exhibit 18: BofA Gilt yield forecasts, %
Wee project stable 10y Gilt yields in 2025, despite slightly rising 10y Sonia

	Gilts			
	Q2 2025	Q3 2025	Q4 2025	Q4 2026
Bank Rate	4.25	3.75	3.50	3.50
2y	3.70	3.60	3.60	3.65
5y	3.90	3.90	3.90	4.00
10y	4.45	4.45	4.45	4.55
30y	5.05	5.00	4.95	4.90

Source: Bloomberg, BofA Global Research

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Exhibit 19: BofA Gilt yield spread to Bund and UST forecasts, bp
Cross-market, our forecasts imply performance relative to USTs

	10y			
	Q2 2025	Q3 2025	Q4 2025	Q4 2026
Gilt-Bund	200	205	195	180
Gilt-UST	10	5	-5	-20

Source: Bloomberg, BofA Global Research

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Rates – JP

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- BoJ to stand pat at 1 May MPM; Governor Ueda to strive for a balanced tone while acknowledging downside risks.
- Rates: Bond market also focused on Governor Ueda's press conference; risk of curve bear-flattening.

This is an excerpt from Japan Macro Watch, 24 April 2025

BoJ to stand pat

The BoJ's next monetary policy meeting (MPM) is scheduled for 30 April-1 May. We expect the BoJ to keep the policy rate at 0.5%, and as of the time of writing the market (OIS) concurred with our view, pricing in just a 2% chance of a rate hike. We think the BoJ will be forced to adopt a wait-and-see stance given the drastic changes in external conditions triggered by US tariff policy since the last MPM on 19 March. We think the focus at the MPM will be (1) the BoJ's new economic and inflation forecasts in its latest Outlook Report, and (2) Governor Ueda's comments at the post-MPM press conference on the outlook for economic activity and the path to normalizing monetary policy.

Outlook Report: BoJ to stick with basic stance

The BoJ will release its latest quarterly Outlook report at the upcoming MPM. We think it is unlikely for the bank to change its baseline scenario where it expects GDP growth to exceed the potential growth rate, and underlying inflation to increase gradually. The BoJ will likely stick to its rate-hiking cycle, in line with its previous statements that "if the outlook for economic activity and prices…will be realized, the Bank will accordingly continue to raise the policy interest rate and adjust the degree of monetary accommodation."

However, given the recent development of US tariff policy and its potential impact, we expect the BoJ to revise down its economic and inflation forecasts for FY25 (Exhibit 20). FY25 BoJ core CPI forecast (ex. fresh food and energy) will likely be lowered from +2.1% in January to 2% or below, factoring in the recent yen appreciation and the impact of free high school tuition from April. However, we expect the BoJ to forecast a return to near 2% inflation once the economic impact of tariffs fades, maintaining its c. 2% estimate for FY26 and adding a similar estimate for FY27. We will be looking both at the BoJ's forecasts and at its assessment of individual risks (Exhibit 21) to get a read on Policy Board members' current economic and inflation outlook.

Post-MPM press conference: Navigating a delicate balance

We expect questions at Governor Ueda's press conference to focus on how the drastic changes in external conditions since the previous MPM could affect the BoJ's economic and inflation outlook and monetary policy conduct. We expect Governor Ueda to reiterate his view that tariffs represent a major downside risk for the Japanese economy, as per his 16 April Sankei Shimbun interview, a 17 April speech by policy board member Junko Nakagawa, and his subsequent Diet testimonies. At this point, we think he will just reiterate his previous comments about carefully assessing the situation at upcoming MPMs and continuing to make appropriate policy decisions.

Given the wide range of economic and inflation scenarios that could arise depending on US tariff policy developments and the outcome of trade negotiations, we think he will aim for a balanced message that leaves the BoJ with the broadest possible range of policy options in the future. We therefore think he will acknowledge that thus far the economy and inflation have remained solid and on track with the BoJ's forecasts, while reiterating both the downside risk to the economy from US tariff policy and the upside risk to inflation from rising food prices.

We think the market will be looking to Governor Ueda's comments for clues about the likelihood of a rate hike at the 17 June or 31 July MPM; it currently prices in a combined 30% chance of a hike. However, the BoJ's messaging could remain unclear due to the need to acknowledge both upside and downside risks, and we doubt the upcoming MPM will give the market a high clarity on the outlook for monetary policy.

-Takayasu Kudo, Japan Economist

Exhibit 20: BoJ policy board GDP/CPI forecasts (median)
We expect the BoJ to downgrade its FY25 forecasts for growth and inflation in the May Outlook Report

	FY24	FY25	FY26	FY27
Real GDP				
New forecasts*	0.7	0.7	0.8	1.0
January forecasts	0.5	1.1	1.0	-
CPI ex fresh food				
New forecasts*	2.7	2.1	2.0	2.0
January forecasts	2.7	2.4	2.0	-
CPI ex fresh food & energy				
New forecasts*	2.3	1.9	2.1	2.0
January forecasts	2.2	2.1	2.1	-

Source: Bank of Japan, Bloomberg, BofA Global Research *New forecasts are BofA's expectations for the May Outlook Report

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Exhibit 21: Risk assessment of CPI (ex fresh food) forecasts
BoJ's risk assessment as of January Outlook Report

	FY24	FY25	FY26
2.8	△○		
2.7	○○○○○	△	
2.6	△○	△	
2.5		△	
2.4		○○	
2.3		△▼	
2.2		○	
2.1		○	△○○
2.0			△○
1.9			○○
1.8			○▼

Source: Bank of Japan, BofA Global Research; Note: The locations of ○, △, and ▼ in the charts indicate the figures for each Policy Board member's forecasts to which they attach the highest probability. The risk balance assessed by each Policy Board member is shown by the following shapes: ○ indicates that a member assesses "upside and downside risks as being generally balanced," △ indicates that a member assesses "risks are skewed to the upside," and ▼ indicates that a member assesses "risks are skewed to the downside." The yellow-shaded figure refers to the median of the Policy Board members' forecasts

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Rates: Risks skewed toward bear-flattening

As noted, the market (including us) generally expects the BoJ to stand pat at the upcoming MPM. It will likely look to Governor Ueda's press conference for clues to the timing of the next rate hike and the outcome of the BoJ's interim assessment of its JGB purchase reduction at the 16-17 June MPM.

However, as our Japan economist notes, a variety of scenarios for the Japanese economy and inflation could emerge depending on future US-Japan trade negotiations, and we therefore expect Governor Ueda to strive for a balanced message that leaves the BOJ as many options as possible, as per his recent Diet testimony.

Some JGB market participants think the BoJ should accelerate its current ¥400bn per quarter cuts to JGB purchases. However, the BoJ announced that it will hold a meeting of the Bond Market Group on 20-21 May to exchange views on its JGB purchases. We therefore expect Governor Ueda to limit his comments at the post-MPM press conference to noting that it will make a decision after listening to bond market participants' views (regarding cuts to JGB purchases from April 2026).

The 2yr forward 6-month OIS, which rose to around 1.2% at one point, has recently fallen to around 0.8%, indicating that bond market participants' expectations for rate hikes have retreated significantly. Media reports suggest that the potential for the government to draw up a supplementary budget in the near future, which had driven bear-steepening of the JGB curve, has now receded. While we expect the JGB curve to remain steep due to a lack of demand, we think risks from the upcoming MPM are skewed toward bear-flattening.

Rates – CA

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- Our economists revised BoC call and now expect terminal at 2%, down from 2.5% prior. We keep our CAD rates forecasts unchanged.
- We see potential for further CAD swap spread tightening on Liberal party sweep with larger than expected fiscal stimulus.

CAD rates steeper

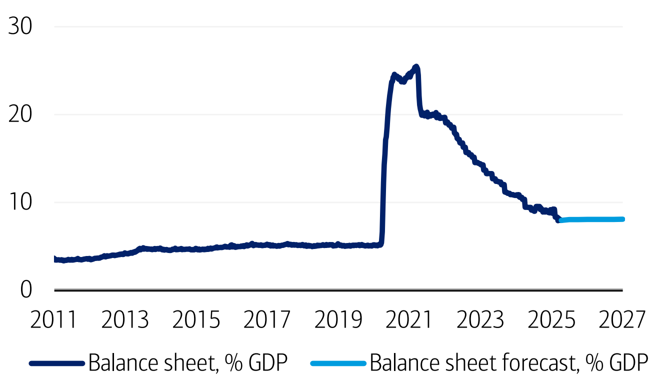
The Bank of Canada (BoC) held its policy rate at 2.75% at last week's meeting, after seven consecutive cuts, as they await further clarity on tariffs. So far, we see little impact from the trade war on inflation in Canada but see risk of more downside pressure on growth. We expect the effect of the current trade conflict will become clearer in the second half of the year, with the slowdown in activity likely offsetting most of the price pressures derived from retaliatory tariffs.

Our economist now sees the BoC cutting to 2% by the end of this year to support the economy (see Surfing the tariff wave), while the market is pricing in a rate of 2.3% for year-end. The house call for an additional 3 cuts in 2025 are expected to happen later in the year as the BoC waits to assess the inflationary environment.

While our economists have revised their call for BoC cuts, we keep our rates forecasts unchanged as they remain comfortably below market expectations in forwards (Exhibit 23). Our new house call for BoC cuts also supports our 2s5s CA-AU box trade (see: Buy AU 2s5s flattener boxed vs CAD 2s5s steepener), which we put on at -17.66bp, now at -10.8bp. We believe the CAD rate steepener is still a relatively carry-efficient way to hedge near-term risks and is an effective hedge for global steepening risk given the higher beta of CAD rates to US.

The upcoming Canadian election may result in some additional curve steepening and potential for tighter swap spreads given expectations for a Carney win and resulting large fiscal stimulus. We have already seen CAD swap spreads tighten on expectations for fiscal stimulus but see risk of further tightening off of larger fiscal stimulus if Liberals also get a majority in the House.

Exhibit 22: Bank of Canada balance sheet projection
The BoC has ended QT and could start buying bills again in small scale by the end of '25 to keep size of the BoC balance sheet stable over time vs GDP



Source: BofA Global Research, Bloomberg, Bank of Canada

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Exhibit 23: Government bond yield forecasts
We forecast a 10y rate of 3.1% by year-end

	Q2 25	Q3 25	Q4 25	Q1 26
2y	2.50	2.50	2.50	2.50
5y	2.65	2.70	2.75	2.80
10y	3.00	3.05	3.10	3.15

Source: BofA Global Research estimates

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Exhibit 24: Swap rate forecasts
We see 10y swap spreads at 2.84% by year-end '25

	Q2 25	Q3 25	Q4 25	Q1 26
2y	2.37	2.37	2.37	2.37
5y	2.43	2.48	2.53	2.58
10y	2.74	2.79	2.84	2.89

Source: BofA Global Research estimates

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Front-end – US

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- Better UST fiscal income pushes back our X-date. Our new X-date estimate = late Oct, though X-date could hit by late Aug or early Oct. DL risk averse bill investors should target maturities after Sept corp date with lower default risk.

Below is an excerpt from US Rates Watch published on 24 April.

Debt limit update: X-date shifts later

X-date shift: point est = late Oct, earliest = late Aug

We update our X-date forecasts following new data on tax income & tariff revenue. The larger than expected fiscal income pushes back our X-date from late August. Our new X-date point estimate is late October, though reasonable bands of uncertainty could see the X-date reached as soon as late August or early October. We expect Treasury to inform Congress the X-date will be reached by fall with risks of binding by late August.

US Treasury fiscal inflows = later X-date

The Treasury experienced relatively robust federal tax flow collection and saw tariff income from excise taxes nearly double for April from prior months. As a result of this income, the TGA has grown more notably this month compared to prior April periods.

The income into the TGA will allow for Treasury to remain at the debt limit for longer vs our prior forecast. Our new X-date point estimate is late October. We add error bands of $100-$200b from our point estimate; the $200b band shows X-date reached in late August, the $100b band shows X-date reached in early October. If Treasury makes it to mid-Sept corporate tax date the X-date likely shifts to October.

Treasury guidance next week may shift X-date again

Next week will contain relevant data for our X-date estimate, including: (1) Treasury financing estimates for Q2 & Q3 released Monday afternoon (2) potential Bessent letter. Treasury financing estimates will be used to override our own Q2 & Q3 projections & we will update X-date est accordingly. Media reports suggest Bessent will update Congress on X-date next week; we expect letter to say X-date will be reached in fall with risks it could bind in late August. Bessent may also want to keep threat of earlier X-date to motivate lawmakers to pass tax law & increase DL by August Congressional recess.

Bill market implications: less August risk, hide Sept 16-18

The bill market does not currently reflect material X-date concern. Recent 4-month bill auctions that now mature in mid / late August do not suggest heightened default risk. Bill investors are likely waiting for updated Treasury guidance on X-date timing.

We continue to recommend bill investors target zones of lower default risk. The most relevant zone with our updated X-date tracking is from Sept 16-18. Bills that mature in this zone will be subject to lower default risk due to the mid-Sept corp tax date. Very risk averse bill investors might also consider a similar zone from July 1-3 that benefits from a June 30 technical measure that provides $145b of X-date breathing room.

We continue to expect bill supply cuts into the DL X-date

Bottom line: better fiscal income pushes back our X-date from late August. Our new X-date point estimate = late Oct, though X-date could hit by late Aug or early Oct. DL risk averse bill investors should target maturities after Sept corp date with lower default risk.

Front end – EU

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- Banks look to raise EGB holdings further and signals a desire to keep LCR elevated, we don't think banks mainly used reserves to buy EGBs but more by liability creation
- Pressure to meet daily payments may come sooner and be a source of widening pressure at the front-end

This is an excerpt from European Rates Watch, 25 April 2025.

High LCR may bring forward front-end pressure

We made the case that bank demand for EGBs will be supported by the ECB's QT (see European Rates Watch, 18 Feb 2025). Banks have been offsetting the decline in reserves with a rise in EGB holdings. The ECB's April 2025 bank lending survey show banks intend to increase their EGB holdings further in 2Q25-3Q25 due to QT (Exhibit 25).

Recent bank demand for EGBs is a result of banks choosing to maintain a LCR well above the 100% regulatory requirement (Exhibit 26). We believe this may reflect the importance of regulatory optics from the banks' perspective. To keep the aggregate LCR at c. 160%, we estimate banks may buy as much as c. €450bn this year. If banks were to stop net EGB purchases for the rest of 2025, we estimate the LCR may fall to 145-150% by year-end, which would still be above pre-Covid levels.

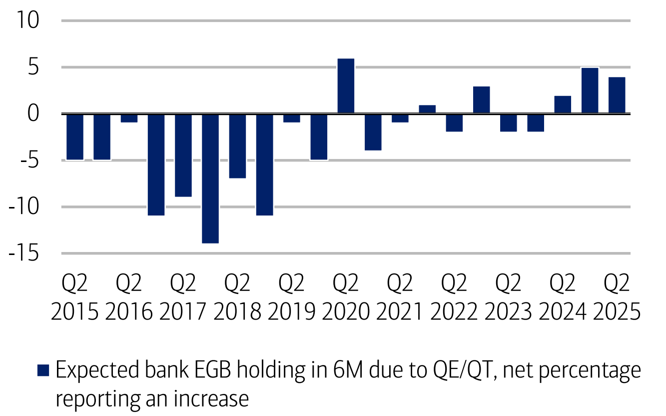
Some readers asked why banks would use their reserve holdings to purchase EGBs given 1) mark-to-market risk, 2) recent swap spread volatility (Exhibit 27), and 3) insufficient pickup over reserves that can get the depo rate. We agree that it is difficult to make the case for banks to swap reserves for EGBs. But we do not believe this is what banks have done. For one, the fall in reserve holdings is due to QT and not due to banks actively reducing reserve holdings (it would also be difficult to do so at this scale).

We believe the banking system mainly net bought EGBs from their non-bank depositors. Banks can acquire an asset from a counterparty that has a deposit account with them by increasing their account balance (Exhibit 28).

QT and the nature of banks' EGB purchases has raised the money multiplier (Exhibit 29). Over time, more bank deposits and less reserves could make it challenging for banks to meet daily payments with reserves alone. Banks may eventually use non-reserve HQLA, including EGBs, to borrow reserves for daily payment purposes. This is consistent with the logic behind the LCR and the ECB's shift to a demand-driven floor system.

Whether banks borrow reserves from the market or the central bank depends on which is the cheaper source and potential stigma. As GC rates are below the refi rate, we expect banks to borrow from the market first and put widening pressure on GC-€str spreads (Exhibit 30). We also believe market rates may need to be above the refi rate for banks concerned about stigma to justify its usage to use the OMOs in meaningful size.

Exhibit 25: Expected bank EGB holdings in 6M due to ECB QE/QT, net %
Banks look to increase EGB holdings in 2Q25-3Q25



Source: ECB

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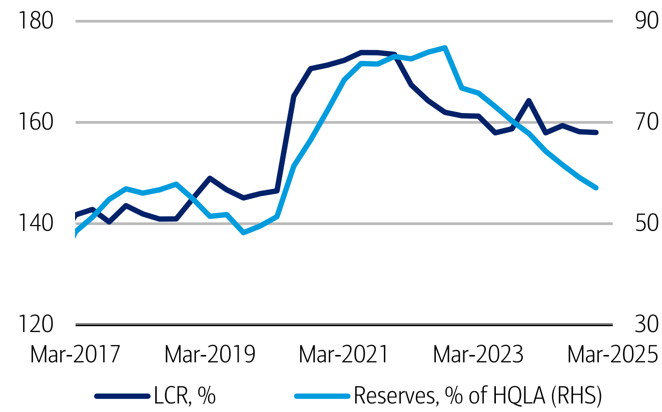
Exhibit 26: Banks' LCR and reserves as a share of HQLA, %
Banks keeping LCR high at c. 160%



Source: BofA Global Research, Bloomberg, ECB

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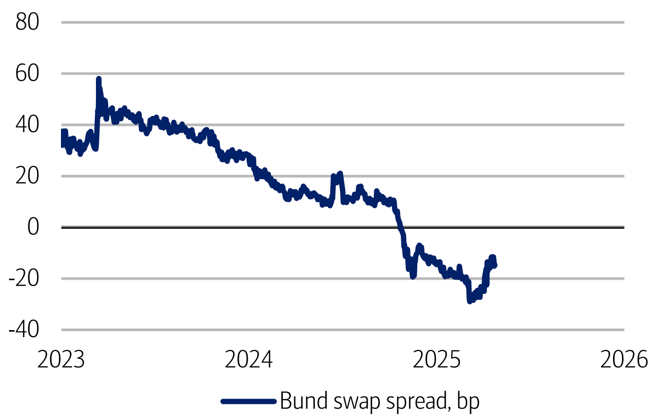
Exhibit 27: Bund swap spread, bp
Volatility can make it difficult for banks to justify buying Bunds with reserves



Source: BofA Global Research, Bloomberg

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Exhibit 28: Mechanics of bank buying EGB from non-bank counterparty
Banks can buy assets from non-banks by creating liabilities

Before			
Bank			
Asset		Liability	
Non-bank counterparty			
Asset		Liability	
EGB	100		
After			
Bank			
Asset		Liability	
EGB	100	Deposit of counterparty	100
Non-bank counterparty			
Asset		Liability	
EGB	0		
Deposit at bank	100		

Source: BofA Global Research

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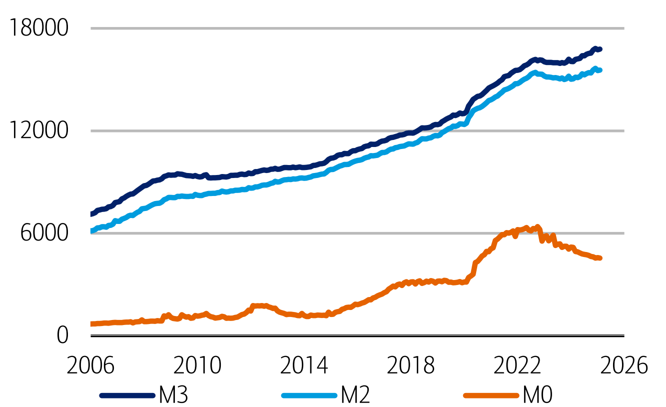
Exhibit 29: Euro area money supply, €bn
QT lowers M0, recent EGB purchases may have helped raise M2 and M3



Source: BofA Global Research, ECB

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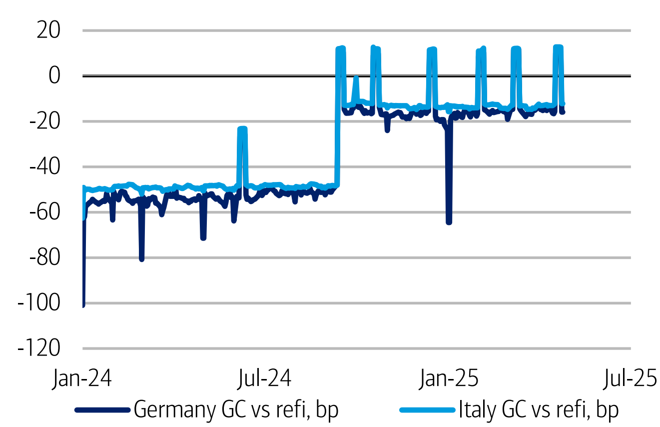
Exhibit 30: Germany and Italy one-day GC vs refi, bp
Still cheaper for banks to borrow from the market than the central bank



Source: BofA Global Research, Bloomberg, CME Group

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Inflation – US

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- Expect front-loaded inflation risk premium to unwind as market moves past peak tariff uncertainty; short 1y & long 2y3y inflation swaps

Forecast less front-end inflation premium

On the back of our nominal rate revisions, we update our forecasts for breakevens and real yields across the curve (Exhibit 31). We forecast a less inverted inflation curve this year anticipate more persistent inflation premium vs market pricing. We think breakevens across the curve should be supported by the market moving beyond near-term tariff headlines to focus on a broader well supported inflation picture. We are short 1y inflation and are long 2y3y inflation as we discuss below.

Exhibit 31: Decomposition of nominal forecasts
Expect lower front-end inflation and higher belly inflation vs market pricing

		Q2 25	Q3 25	Q4 25	Q1 26	Q2 26	Q4 26
	2y Govt	3.9	3.8	3.75	3.75	3.75	3.85
	5y Govt	4	4.05	4.1	4.15	4.2	4.25
	10y Govt	4.35	4.4	4.5	4.55	4.6	4.75
Nominal	30y Govt	4.75	4.8	4.9	4.95	5	5.1
	2y Govt	2.7	2.7	2.6	2.6	2.6	2.6
	5y Govt	2.5	2.5	2.5	2.5	2.5	2.5
	10y Govt	2.35	2.4	2.4	2.4	2.4	2.4
Breakeven	30y Govt	2.3	2.3	2.3	2.3	2.3	2.3
	2y Govt	1.2	1.1	1.15	1.15	1.15	1.25
	5y Govt	1.5	1.55	1.6	1.65	1.7	1.75
	10y Govt	2	2	2.1	2.15	2.2	2.35
RY	30y Govt	2.45	2.5	2.6	2.65	2.7	2.8

Source: BofA Global Research

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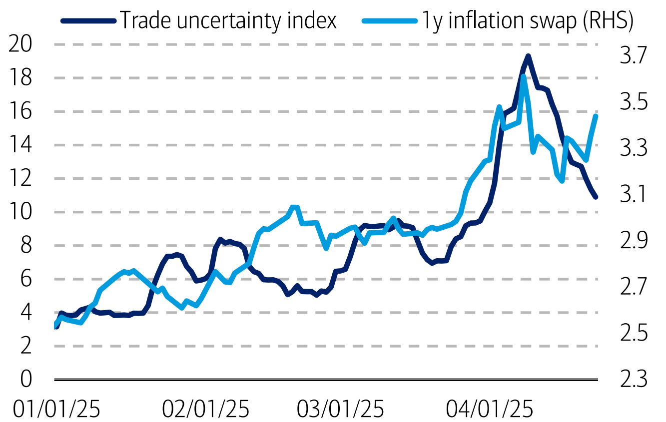
Short 1y, long 2y3y inflation

We recommended going short 1y inflation on 10 April to position for a narrowing of tariff risk premium and potential for the effective tariff rate to converge lower than implied by markets (see: Recommend selling 1y inflation swap, 10 April). We initiated the trade at 3.49% (stop = 3.90%, target = 2.90%); while it traded as low as 3.12%, the level is back to 3.44% despite trade uncertainty abating (Exhibit 32). Risks to the trade are tariff concerns escalating beyond current levels and a positive oil price shock.

Exhibit 32: Trade Policy Uncertainty index & 1y inflation
1y inflation has remained elevated while trade uncertainty abated



Source: BofA Global Research, Bloomberg

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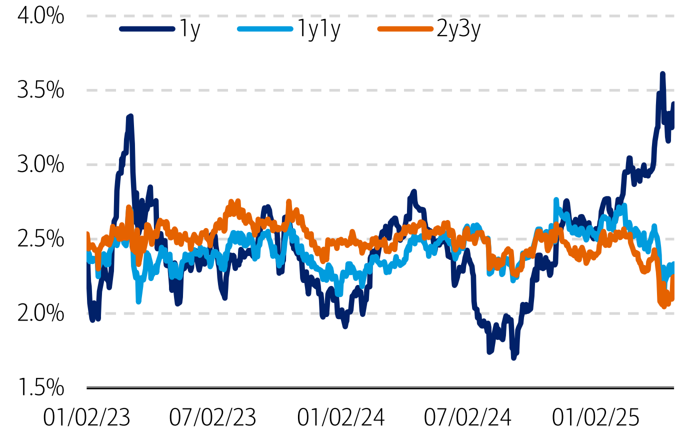
Exhibit 33: Spot & forward inflation swaps
2y3y has compressed meaningfully as market has assigned premium to 1y



Source: BofA Global Research, Bloomberg

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On the other hand, we go long 2y3y inflation at 2.24% targeting 2.5% with a stop of 2.05%. We believe forwards have been compressed on the back of the recent risk off volatility and anticipate them to settle closer to recent averages (Exhibit 33). While our economists have a shallower CPI path vs market near term, they anticipate inflation to remain above where the market is currently pricing medium term (see: Global Economics Viewpoint). The biggest risk to the trade is a more pessimistic growth outlook that weighs on inflation compensation.

Technicals

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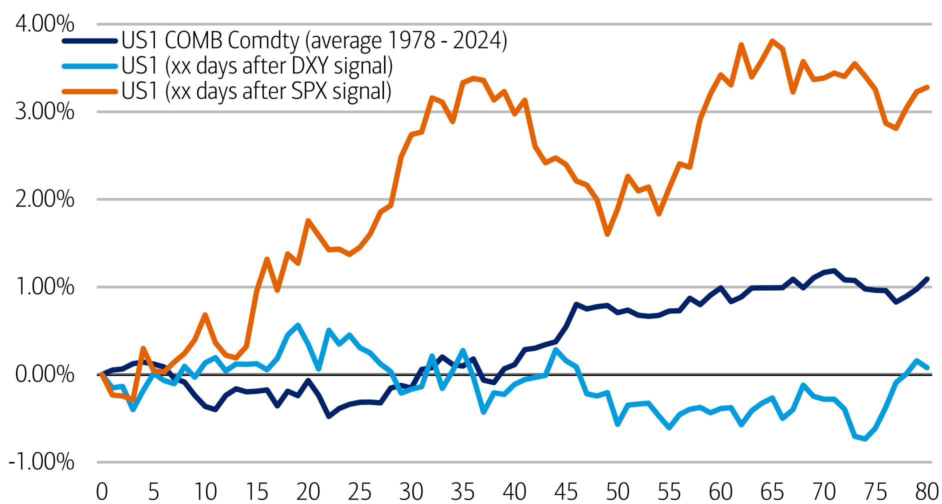
- The SPX saw a death cross signal on April 14. This signal has been a bullish indication for bonds. The forward trend outperformed a bullish seasonal trend.
- The average down ratio for bonds from 20-80 trading days after was just 22%, or up 78% of the time. Average and median gains were positive and mostly trending up. This suggests US1 is above 114-16 in June-Aug 2025.
- For more on macro market trends after this signal, please see: Quantifying Technicals: Macro trends after SPX & DXY death cross 23 April 2025.

SPX death cross signal = Bullish bonds

Exhibit 34: Bonds (US1) trend analysis beginning April 14th
Average trend for US1 is modestly lower through mid-May then bullish through summer. The trend after a DXY death cross is choppy/rangebound. The trend after an SPX death cross is bullish through 80 trading days.



Source: BofA Global Research, Bloomberg

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Exhibit 35: Bonds after a death cross signal on the SPX with declining 200d SMA (vs five days prior)
Bonds tended to rally 30-80 trading days later as much as 10 of 11 times at 20 and 70 trading days after. The average down ratio from 20-80 trading days was just 22%, or up 78% of the time with average and median gains positive and mostly trending up.

days after	5 days	10 days	15 days	20 days	25 days	30 days	35 days	40 days	45 days	50 days	60 days	70 days	80 days
% Down Ratio	55%	36%	36%	9%	36%	18%	18%	27%	27%	27%	27%	9%	18%
Up	5	5	6	10	7	9	9	8	8	8	8	10	9
Down	6	4	4	1	4	2	2	3	3	3	3	1	2
Average	0.04%	0.68%	0.95%	1.76%	1.45%	2.74%	3.33%	2.98%	2.40%	1.89%	3.42%	3.38%	3.28%
Median	-0.09%	0.00%	0.84%	1.47%	1.29%	2.15%	2.20%	2.14%	2.92%	2.09%	3.47%	4.09%	3.48%
Min	-2.02%	-1.93%	-2.04%	-3.17%	-5.08%	-0.55%	-1.17%	-0.70%	-2.07%	-2.17%	-0.72%	-2.47%	-2.34%
Max	2.38%	5.91%	4.55%	6.42%	5.48%	6.77%	7.96%	9.63%	7.39%	5.66%	7.77%	8.10%	8.35%

Source: BofA Global Research, Bloomberg

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Rates Alpha trade recommendations

Exhibit 36: Global Rates Trade Book - open trades

Open trades

	Open Trades	Entry Date	Entry	Target	Stop	Latest Level	Trade rationale	Risk
Europe	Receive BTPei 2033-39 fwd yield	1-Apr-25	358	300	400	353	Bullish call, RV, index events	Generalized Italy cheapening
Europe	Long EU 30y vs Netherlands	28-Mar-25	72	60	80	74	EU cheap to NL, on supply concerns	Large increase in EU bond supply
Europe	Long 15y OAT May-42	21-Mar-25	3.84	3.5	4.05	3.60	Long duration + a tactical bullish view on FR	FR political risks, larger long end EGB supply
Europe	Receiving 6m1y EUR vs CHF	14-Mar-25	176bp	130bp	200bp	168bp	Continued ECB easing and SNB pause	Negative SNB policy rate
Europe	US-Euro 2y3y inflation widener	7-Mar-25	28bp	50bp	15bp	36bp	Inflation view; roll-down	US recessionary threat
Europe	BTPei 2039 iota narrower	7-Mar-25	25.4	17.0	30.0	22	Index events	Heavy BTPei 2039 supply
Europe	6m5y 1x1.5 rec	5-Feb-25	0bp	14bp	-10bp	1bp	Repricing of ECB terminal lower	Rally beyond downside breakeven
Europe	Short 1y1y vs 1y10y vol	24-Nov-24	6.5bp	20bp	-10bp	4bp	Underperformance of left side on dovish ECB	Hawkish policy shift
Europe	Long 30y Bunds vs Netherlands	24-Nov-24	14.5	25	8	13	Fade the cheapness of GE long-end	Change in German constitution
Europe	Pay 1y1y Euribor-€str basis	24-Nov-24	21.5	30	17	22	Reduced liquidity, increased term funding cost	New ECB LTROs / early end to QT
Europe	5y1y ATM-25/-100bp rec spread	8-Feb-24	25bp	60bp	0	24bp	Lower ECB terminal rate, without negative carry	Better than expected EUR data
Europe	Long 5y Greece vs Portugal	19-Nov-23	42	0	65	17	Reduced supply in Greece, increased in Portugal	General sharp risk-off, high GR supply
UK	Receive Nov MPC-dated Sonia	11-Apr-25	3.69	3.45	3.81	3.66	Expect market to price cut pace acceleration	Upside inflation surprises
UK	Long UKT 0 1/8% 2028 vs. UKT 4 3/8% 2028 on ASW (on z-spd)	24-Jan-25	-29	-40	-24	-31	Retail demand for low coupon Gilt	Change in the tax treatment of Gilts for retail
UK	UKTi 2037/39 real curve flattener	24-Oct-24	17	9	25	24	Attractive level; low coupon value	Supply related dislocation
UK	UKTi 2032/36/47 barbell (+43.8%/-100%/+56.2% risk)	05-Sep-24	14.8	5.0	20.0	0	Expect forward flattening	Illiquid conditions
UK	Short Sonia 3s5s7s (pay 5s)	05-Sep-24	-12	10	-21	-3.9	Mortgage paying flows	Stamp Duty tax rise at the Oct budget
UK	Sell UKTI 2036 v UKT 2042 on ASW	26-Jul-24	-21	-8	-28	-25.0	Historical extreme spread	Poor nominal auction demand
US	Long 2y3y inflation	24-Apr-25	2.24	2.50	2.05	2.24	Expect above market inflation medium term	Downturn that lowers inflation compensation
US	Long 30y swap spread	22-Apr-25	-94	-84	-100	-89	May refunding issuance shortening signal	Persistent supply/demand imbalance issues
US	1m fwd 2s30s bull flattener	22-Apr-25	0bp	20bp	-10bp	8bp	May refunding catalyst for bull flattening moves	Bull steepening from dovish Fed
US	Pay July FOMC OIS vs receive 5y OIS	22-Apr-25	-41	-80	-15	-48	Patient Fed and downside growth concerns	Rapid near-term Fed cuts
US	Long July SOFR/FF	11-Apr-25	-3.5bp	+1bp	-7bp	-3bp	Softer funding with bill paydowns	Early debt limit resolution
US	1y inflation swap short	10-Apr-25	3.49	2.90	3.90	3.40	Lower tariff premium	Upside tariff risks, oil price shock higher
US	6m10y payer spreads	7-Apr-25	8.5bp	25bp	-8.5	0bp	Fed on hold, limited scope for bearish shocks	Limited to upfront premium
US	6m5y payer ladder	7-Mar-25	0bp	25bp	-10bp	2bp	Repricing of Fed policy through higher	Selloff beyond downside BE
US	6m1y rec spd	21-Jan-25	11bp	25bp	-11bp	22bp	Higher slowdown likelihoods	Limited to upfront premium
US	Sell 1m10y vs 6m10y receiver	21-Jan-25	0bp	20bp	-10bp	21bp	Higher slowdown likelihoods	More significant rally near vs medium term
US	1y1y receiver 1x1.5	12-Dec-24	9bp	60bp	-15bp	-6bp	Hedging slowdown scenarios	Aggressive hard landing scenarios
US	1y fwd 5s30s bear steepener	24-Nov-24	0bp	30bp	-15bp	19bp	Term premium build & reacceleration scenarios	Bear flattening on hawkish Fed
US	1y10y payer spd vs 3m10y payer	24-Nov-24	0bp	30bp	-15bp	-5bp	Higher recalibration/reacceleration likelihoods	Frontloaded sell that fades medium term
US	1y1y straddles vs strangles	24-Nov-24	+0.31%	20bp str /vega	-10bp str /vega	0.31%	Long vol of vol	Lower vol of vol
US	Long 5y30y vol vs 2y30y vol	24-Nov-24	+5.5bp vega	15bp vega	-10bp vega	0bp	Vega supported bearish tail scenarios	Outperformance of intermediate vs long vega
US	1y fwd 2s10s floor ladder	28-May-24	-20bp	-40bp	-60bp	30bp	Hedging hawkish fed scenarios	Unlimited downside in Inversion > -80bp
US	3y1y rtr spd a/-50bp	6-Nov-23	pay 23bp	50bp	-23bp	5bp	Soft landing scenario	Capped to premium
US	Long 1y10y rtp spd vs 4m10y rtp	3-Jul-24	0bp	20bp	-10bp	-10bp	Bearish election risks medium-term	Frontloaded bearish risks
APAC	AU 2s5s flattener vs CAD 2s5s steepener	15- Apr -25	-17.7bp	+4bp	-30bp	-10.8bp	CAD and AUD rates mispricing trade uncertainty	Fewer BoC cuts than market pricing
APAC	AU 6m3y receiver 1x1.5	27-Mar-25	4bp	30bp	-15bp	3bp	Dovish repricing of RBA terminal	Hawkish RBA shift
APAC	JP 1y2y payers spd vs 1y10y payers	24-Nov-24	0bp	40bp	-15bp	1bp	Bear flattening of the curve	Lagging BoJ & curve bear steepening
APAC	JP 1y5y payer ladders	24-Nov-24	0bp	28bp	-10bp	2bp	Repricing of policy trough	Underperformance vs. downside b/e
APAC	KR 1y fwd 2s10s bull steepeners	24-Nov-24	0bp	25bp	-10bp	10bp	Dovish BoK and bull steepening	Hawkish shift for BoK
APAC	KR 1y5y receiver spd	24-Nov-24	-16bp	34bp	-15bp	27bp	Repricing of policy trough lower	Capped to upfront premium

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 37: Global Rates Trade Book - closed trades

Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
Europe	Receive Dec ECB €str	2-Jan-25	1.77	1.3	2.18	17-Apr-25	1.47
	EUR 3m2y payer fly	16-Jan-25	12.4	35	2	16-Apr-25	0
	Pay 10y real Sofr, rec. 10y real €str	24-Nov-24	-112	-180	-80	1-Apr-25	-75
	Pay 1y1y CHF OIS	11-Dec-24	0.06%	0.35%	-0.10%	07-Mar-25	0.29%
	6m fwd 2s10s bull flattener OTM	23-Oct-24	0	900K	-500K	07-Mar-25	11K
	BTPei 2039 breakeven long	29-Jan-25	189	220	170	07-Mar-25	198
	US 9m30y payer spd vs EUR payer	5-Feb-25	0bp	30bp	-15bp	07-Mar-25	-15bp
	Receive 5y5y "real ESTR" rate	02-Jul-24	28	-20	60	07-Mar-25	60
	Pay Mar ECB €str	23-Jan-25	2.44	2.55	2.37	07-Mar-25	2.42
	BTPei'29/'33/'39 CDN barbell	18-Oct-24	31.6	15.0	40.0	27-Feb-25	25.3
	OATei '36'/'40/'43 fly	25-Sep-24	5.5	0.0	9.0	27-Feb-25	2.6
	Sell OATei 43 vs 53 on z-spread	03-Sep-24	29	15	37	27-Feb-25	28
	3m2y payer fly	23-Oct-24	14.7bp	40bp	3bp	16-Jan-25	16.1bp
	Receive 2y1y €str	2-Dec-24	1.74	1.4	1.95	2-Jan-25	2.01
	Long 30y Bunds	03-Sep-24	2.58%	2%	2.83%	12-Dec-24	2.44%
	Received 2y1y €str	03-Sep-24	2.12%	1.7%	2.4%	2-Dec-24	1.7%
	EUR 1y fwd 2s10s OTM floor, funded US floor	19-Nov-23	-15bp	25bp	-25bp	19-Nov-24	15bp
	Receive 3y1y €str vs CAD OIS	03-Sep-24	39	80	15	21-Nov-24	86
	Long Schatz vs Bobl Euribor spreads	31-Aug-23	3	15	-8	14-Nov-24	8
	3m fwd 10s30s bull flattener	23-Oct-24	0	900K	-500K	31-Oct-24	770K
	Pay belly of 5s10s30s	24-Jun-24	23	50	10	31-Oct-24	30
	Short ATM 1y2y payer vs OTM in US	03-Sep-24	0	25bp	-15bp	23-Oct-24	25bp
	Receive belly of 2s3s5s PCA fly	02-May-24	-20	-26	-16	21-Oct-24	-14.5
	Long Schatz ASW	05-Jul-24	32.4	47	24	18-Oct-24	23
	Pay 9Mx12M EUR FX-Sofr basis	22-May-24	-6.9bp	-2bp	-10.2bp	18-Oct-24	-1.6
	1y1y/2y3y EURi steepener	26-Jul-24	3	16	-5	25-Sep-24	8
	EUR 2y 3s6s widener	19-Mar-24	8.1	14	5	12-Sep-24	4.8
	Receive 2y1y €str	19-Nov-23	2.45	1.70	2.90	03-Sep-24	2.09
	Long 6m7y OTM receiver vs 6m7y OTM payer	24-Jun-24	0	800K	-400K	07-Aug-24	800K
	Sep24 FRA-OIS widener	02-Feb-24	11.3	15	5	05-Aug-24	12.5
	1y fwd 2s10s EURi steepener	19-Jan-24	13	30	4	26-Jul-24	17
	5s10s EURi steepener	19-Nov-23	8	25	-5	26-Jul-24	12
	6m fwd 2s5s bull flattener	20-May-24	0	300K	-150K	25-Jul-24	-150K
	10s30s flattener in EUR vs US	04-Oct-23	0	40	-20	24-Jun-24	7
	Long OAT Apr29 vs BGB Jun29	25-Apr-24	8	2	11	10-Jun-24	5.9
	OATei 2029s/2053s real curve flattener	16-Apr-24	37	10	50	04-Jun-24	19
	OATei 2027s/2029s real curve steepener	9-Feb-24	7.4	18.0	2.0	04-Jun-24	-2
	Long 10y Bund vs UST	13-Feb-24	182	225	155	09-May-24	200
	Sell EUR 6m5y OTM payer to buy OTM payer in US	19-Nov-23	0	600K	-400K	18-Apr-24	110K
	Receive 2y3y €str vs SOFR	04-Oct-23	104	180	60	04-Apr-24	155
	BTP ASW 5s10s steepener	19-Nov-23	50	75	35	04-Apr-24	55
	Long DBRi 2026/short OATei 2026 on z-spread	22-Mar-24	10	-10	20	04-Apr-24	14
	3m1y ATM+25/+50 payer spd	06-Dec-23	5	15	0	23-Feb-24	15.5
	Pay Apr ECB date, receive Mar	02-Feb-24	-18	0	-28	19-Feb-24	-11
UK	Receive UKTi 2036-2042 fwd real yield	28-Feb-25	267	200	300	8-Apr-25	305
	Long G vs. WN invoice spreads	28-Feb-25	13.9	30	5	8-Apr-25	30
	Short 5y RPI	29-Jan-25	396	350	450	1-Apr-25	376
	Pay 5y real Sonia, receive 5y real €str	21-Aug-24	43	-40	90	1-Apr-25	-4
	UKTi 2052/68 yield flattener	20-Feb-24	-13	-35	0	1-Apr-25	-27
	Receive Aug MPC-dated Sonia	14-Mar-25	4.07	3.95	4.13	24-Mar-25	4.13
	Pay March MPC Sonia	7-Feb-25	4.397%	4.468%	4.357%	20-Feb-25	4.45
	1y fwd 2s10s Sonia steepener	8-Nov-24	-1	25	-15	31-Jan-25	-15
	Pay 5y real Sonia	12-Jul-24	1	60	-30	29-Jan-25	15
	Sell UKT 4.5% 2028 vs. UKT 0.5% 2029 (on z-spd)	05-Sep-24	-8	-20	4	24-Jan-24	-9.2
	Buy UKT 4 3/8 2054 vs. T 4 5/8 2054 on ASW	12-Jul-24	1.0	-15.0	10.0	31-Oct-24	2.7
	Buy UKT 5/8% 2050 vs. 4 5/8% 2034 on ASW	07-Jun-24	33.5	13.0	45.0	31-Oct-24	23.8
	Sell SFIM9 vs. SFIM6 futures	14-Jun-24	-19.5	10	-35	09-Sep-24	5
	UKTi 2032-36-42 barbell (+35%/-100%/+65%)	26-Apr-24	13.6	5	18	05-Sep-24	11.8
	UKTi '36/47 vs '34/46 fwd yield sprd	2-Feb-24	24	8	32	05-Sep-24	16
	UKTi 2036/47 real curve flattener	26-Sep-23	55	30	70	05-Sep-24	51
	Sell UKT4e27 v UKT1e28 on ASW	10-Nov-22	1.8	-25	12	05-Aug-24	-25
	Aug-Dec MPC-dated Sonia steepener	19-Jul-24	-38.0	-20.0	-48.0	2-Aug-24	-40
	UKTi 2029s real yield short	10-May-24	21	70	-10	12-Jul-24	30
	Real yield switch - UKTi 2033 into OATei 2034	18-Oct-23	26	-25	50	14-Jun-24	53
	Long SFIZ4 vs. short SFIM4	03-May-24	33.5	50	20	09-May-24	44.5
	Pay Jun'24 BoE-Sonia vs Jun'24 ECB-Estr	22-Mar-24	132	153	122	11-Apr-24	139.5
	Sell Dec'24 BoE MPC-onia vs.. BoC CORRA OIS	06-Feb-24	14	75	-25	11-Mar-24	33

Exhibit 37: Global Rates Trade Book - closed trades
Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
US	Short 30y swap spread	13-Mar-25	-79.5	-105	-70	22-Apr-25	-94
	2s5s30s fly	11-Apr-25	-55bp	-90bp	-35bp	22-Apr-25	-74
	Long 2y swap spread	11-Apr-25	-26	-17	-32	22-Apr-25	-27
	M6M7 SOFR curve steepener	3-Apr-25	1bp	30bp	-20	10-Apr-25	7
	Pay May'25 FOMC OIS	7-Apr-25	4.20	4.33	4.1	10-Apr-25	4.29
	3m2y receiver spd vs 3m2y payers	21-Jan-25	0bp	30bp	10bp	10 Apr 25	24bp
	TIPS 5y5y beta-breakeven long	1-Apr-25	-14	40	-50	9 Apr-25	-58
	5s30s steepener	6-Oct-23	20	90	-20	9-Apr-25	90
	2y forward, 3s28s inf steepener	4-Sept-24	0bps	30bps	-15bps	9-Apr-25	32bp
	1y4y inflation swap long	14-Nov-24	2.56	3	2.25	8-Apr-25	2.21
	Pay June FOMC OIS swap	26-Mar-25	4.15%	4.25%	4.09%	3-Apr-25	4.07%
	1y10y payer ladders	28-May-24	0bp	37bp	-20bp	27-Mar-25	5bp
	6m5y payer ladder	24-Nov-24	0bp	27bp	-15bp	27-Mar-25	7bp
	M5/Z6 flatteners	4-Feb-25	-18	-50	10	3-Mar-25	-48.5
	6m1y rtp ladders	9-Aug-24	0	25	-20	9-Feb-25	16
	Short 30y spreads (May '54)	20-Jun-24	-80	-105	-65	06-Feb-25	-80
	Receive TII 1/26 to TII 1/30 fwd real yield	12-Dec-24	1.77	1.4	1.98	19-Dec-24	2.05
	Mar/Sep SOFR/FF '25 curve flattener	13-Sep-24	0 bps	-3.5bp	+2bp	17-Dec-24	-3
	1y2y risk reversal	24-Nov-24	0	30	-15	9-Nov-24	15
	5s10s TII steepener	19-Nov-23	-6	50	-40	14-Nov-24	15
	Long 5y30y vol vs 2y30y vol	20-Nov-22	+14bp vega	15bp vega	-10bp vega	24-Nov-24	21bp
	1y fwd 2s10s cap spd a/+50bp	6-Nov-23	20bp	30bp	-20	6-Nov-24	18bp
	Short 1y1y vs 1y10y vol	6-Nov-23	Rec 26bp	30bp	-20	14-Nov-24	27bp
	Buy Dec TY basis	22-Oct-24	0 ticks	2 ticks	-0.75 ticks	06-Nov-24	1.5 ticks
	SOFR M5-Z7 steepener	20-Sep-24	0	50	-30	4-Oct-24	-30
	Long Mar SOFR/FF	8-May-24	-1.5bp	2bp	-3.5bp	15-Jul-24	-3.5
	2-10 CAD steepener vs 2-10 US flattener	4-Jun-24	-17.2	15	-40	13-Jun-24	-10
	Short 1y1y inflation swap	13-Jun-24	2.39	1.9	2.7	26-Aug-24	2.28
	6m10y rtp ladders	26-Mar-24	0bp	28bp	-20bp	26-Sep-24	0bp
	Long 30y BE	26-Mar-24	2.28	2.75	2.05	5-Aug-24	2.05
	Oct / Nov SOFR/FF curve steepener	9-Nov-23	-0.5bp	+2.5bp	-2bp	8-May-24	-0,5bp
	2y fwd 2s10s cap	8-Jul-22	45	150	-50	8-Jul-24	-15bp
	SOFR/FF widener in 1y1y vs 2y1y	9-Nov-23	-0.75bp	-2.5bp	+2bp	8-May-24	-1.05bp
	Long 5Y nominal	18-Apr-24	4.62%	4%	-18bp	9-May-24	4.46%
	M5-M7 SOFR Steepener	13-Dec-23	-3bp	75bp	-40bp	6-Mar-24	-41bp
	Long 2y inflation swap	22-Jan 24	2.20	2.60	1.90	21-Mar-24	2.55
	6m2y rtp spd vs 6m2y otm rtr	19-Nov-23	0bp	55bp	-25bp	2 May 24	41bp
	6m10 rtp ladders a/+32bp/+64bp	19-Nov-23	0bp	32bp	-20bp	21-March-24	15bp
	Long 2y CA vs short 2y US	19-Nov-23	-39bp	-70bp	-15	14-Mar-24	-47
	1y10y receiver spreads	9-Mar-23	-18bp	32bp	-18bp	9-Mar-24	-18bp
APAC	10s20s JGB curve flattener	25-Mar-25	73	60	79.5	8-Apr-25	85
	Buy au 3y (YM) , pay Aug RBA	04-Mar-25	-8bp	-50bp	10bp	11-Apr-25	-16bp
	2yr fwd 2s10s OIS flatteners	19-Feb-25	40	25	47.5	4-Apr-25	39
	AU 1y1y risk reversal	24-Nov-24	0bp	40bp	-20bp	27-Mar-25	23bp
	AU Long 1y2y AU vs US receivers	24-Nov-24	0bp	40bp	-20bp	27-Mar-25	15.5bp
	Mar/Sep '25 BOB steepener	3-Oct-24	2bp	6bp	0bp	18-Mar-25	4bp
	Short 5yr JGB ASW	24-Jan-25	0	8	-5	06-Mar-25	8
	Receive Feb '25/ Pay Apr '25 RBA s	29-Jan-25	-11bps	0bp	-17bp	21-Feb-25	-4bp
	AU pay 5y5y 6s3s	19-Nov-23	4.4bps	9bp	2bp	05-Feb-25	8.45bp
	5yr20yr JGB curve flatteners	9-Jan-25	114	104	119	17-Jan-25	104
	Long 20yr JGB asset swap	24-Nov-24	27	20	31	16-Jan-25	31
	Receive AU 5y5y IRS vs US	11-Nov-24	107	75	123	20-Dec-24	74
	Long 5yr ACGBs vs 5yr JGBs	24-Nov-24	305	280	320	13-Dec-24	320
	AU Pay Feb '25 RBA, buy Sep futures	24-Nov-24	-23bp	-45bp	-12bp	10-Dec-24	-48bp
	AU/JP: buy 5y ACGBs, sell 5y JGBs	24-Nov-24	352bp	305bp	375bp	10-Dec-24	305bp
	KRW 1y5y receiver spd	5-Jun-24	15bp	25bp	-15bp	19-Nov-24	13bp
	JPY 6m5y payer ladders	10-Jul-24	0bp	30bp	-15bp	19-Nov-24	6bp
	JPY 6m7y payer ladders	23-Sep-24	0bp	13bp	-10bp	19-Nov-24	2bp
	AUD 1y fwd 2s10s bull steepener	19-Nov-23	0bp	30bp	-25bp	19-Nov-24	-4bp
	AUD 1y5y rtr spd a/-40bp	19-Nov-23	17.5bp	22.5bp	-18bp	19-Nov-24	12bp
	AUD 1y5y rtr spd vs 3m5y rtr a-12bp	19-Nov-23	0bp	40bp	-25bp	19-Nov-24	-1bp
	JPY 1y fwd 5s30s bear flattener	19-Nov-23	0bp	25bp	-20bp	19-Nov-24	-12bp
	2s10s 6s3s steepener	12-Aug-24	-6bp	0bp	-9bp	19-Jun-24	-9bp
	Pay Dec '24 RBA	20-Aug-24	4.125%p	4.34%	4.01%	17-Oct-24	4.27%

Exhibit 37: Global Rates Trade Book - closed trades
Closed trades

Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
Sell Mar '25 futures, buy Dec '24 & Sep '25 futures	12-Aug-24	4bp	14bp	-1bp	20-Aug-24	0bp
1y1y/3y2y flattener	26-Jul-24	18bp	3bp	25.5bp	26-Jul-24	6.5bp
Jun24/Dec24 bills-OIS flattener	19-Jun-23	7.5bp	1.5bp	10.5bp	13-Jun-24	5bp
Receive 10y swap spreads	17-May-23	51	20	65	3-Apr-24	20
Buy ACGB 3.5% 2034 vs. UKT 0.625% 2035	13-Nov-23	18.5	-40	45	22-Feb-24	-5.1
JPY 6m10y rtp spd vs 6m2y rtp	19-Feb-24	0bp	40bp	-20bp	19-Aug-24	0bp
Swap EFP (3y/10y) box flattener	19-Nov-23	10b[s	0bps	15bps	22-Mar-24	-1
receive AU 5y5y IRS, pay US 5y5y IRS	19-Nov-23	109	0	148	21-Feb-24	99
2yr10yr TONA swap steepener	1-Feb-24	68.5	80	62.7	22-Feb-24	62.7
Feb/Mar 2024 OIS steepener	19-Nov-23	0	15	-7.5	12-Jan-24	-7.5
Pay June 2024 3m bills vs OIS	7-Nov-23	15	30	8	12-Jan-24	8
10yr/30yr TONA swap flatteners	19-Nov-23	59	49	64	19-Jan-24	64
10yr/30yr TONA swap flatteners	19-Nov-23	59	49	64	19-Jan-24	64

Source: BofA Global Research

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Global rates forecasts

Exhibit 38: Latest levels and rate forecasts
Forecasts by quarter up to Q2 '26 plus YE 2026

		Latest	Q2 25	Q3 25	YE 25	Q1 26	Q2 26	YE 26
USA	O/N SOFR	4.28	4.29	4.31	4.32	4.33	4.34	4.35
	2y T-Note	3.80	3.90	3.80	3.75	3.75	3.75	3.85
	5y T-Note	3.94	4.00	4.05	4.10	4.15	4.20	4.25
	10y T-Note	**4.31**	**4.35**	**4.40**	**4.50**	**4.55**	**4.60**	**4.75**
	30y T-Bond	4.78	4.75	4.80	4.90	4.95	5.00	5.10
	2y Swap	3.61	3.74	3.62	3.55	3.55	3.55	3.65
	5y Swap	3.60	3.70	3.73	3.76	3.81	3.86	3.91
	10y Swap	**3.81**	**3.90**	**3.93**	**4.01**	**4.04**	**4.07**	**4.22**
	30y Swap	3.92	3.95	3.98	4.06	4.08	4.10	4.17
Germany	3m Euribor	2.16	1.90	1.60	1.40	1.40	1.45	1.75
	2y BKO	1.69	1.70	1.60	1.65	1.85	1.95	2.15
	5y OBL	1.99	2.00	1.95	2.05	2.20	2.30	2.40
	10y DBR	**2.45**	**2.45**	**2.40**	**2.50**	**2.60**	**2.70**	**2.75**
	30y DBR	2.88	2.90	2.85	2.95	3.00	3.10	3.15
	2y Euribor Swap	1.88	1.85	1.75	1.75	1.90	2.00	2.20
	5y Euribor Swap	2.13	2.15	2.10	2.15	2.25	2.35	2.45
	10y Euribor Swap	**2.45**	**2.45**	**2.40**	**2.45**	**2.50**	**2.60**	**2.65**
	30y Euribor Swap	2.45	2.45	2.45	2.55	2.70	2.80	2.90
Japan	TONA	0.48	0.48	0.48	0.48	0.48	0.73	0.98
	2y JGB	0.68	0.60	0.63	0.65	0.70	1.05	1.30
	5y JGB	0.89	0.85	0.88	0.90	0.95	1.30	1.60
	10y JGB	**1.33**	**1.35**	**1.43**	**1.50**	**1.53**	**1.60**	**1.75**
	30y JGB	2.70	2.70	2.78	2.85	2.85	2.85	2.95
	2y Swap	0.64	0.58	0.60	0.60	0.65	1.00	1.25
	5y Swap	0.77	0.75	0.78	0.78	0.80	1.15	1.45
	10y Swap	**1.06**	**1.10**	**1.13**	**1.20**	**1.23**	**1.30**	**1.45**
U.K.	3m Sonia	4.20	4.00	3.60	3.50	3.50	3.50	3.50
	2y UKT	3.88	3.70	3.60	3.60	3.60	3.60	3.65
	5y UKT	4.00	3.90	3.90	3.90	3.90	3.95	4.00
	10y UKT	**4.50**	**4.45**	**4.45**	**4.45**	**4.45**	**4.50**	**4.55**
	30y UKT	5.24	5.05	5.00	4.95	4.90	4.90	4.90
	2y Sonia Swap	3.67	3.60	3.50	3.50	3.50	3.50	3.50
	5y Sonia Swap	3.69	3.70	3.70	3.70	3.70	3.75	3.80
	10y Sonia Swap	**3.99**	**4.00**	**4.05**	**4.10**	**4.10**	**4.15**	**4.20**
Australia	3m BBSW	3.92	3.85	3.85	3.60	3.60	3.60	3.60
	2y ACGB	3.28	3.50	3.25	3.00	3.05	3.10	3.50
	5y ACGB	3.57	3.60	3.40	3.20	3.25	3.30	3.40
	10y ACGB	**4.24**	**4.05**	**3.90**	**3.75**	**3.80**	**3.85**	**4.00**
	3y Swap	3.25	3.50	3.25	3.00	3.05	3.10	3.50
	10y Swap	**4.12**	**4.05**	**3.90**	**3.75**	**3.80**	**3.85**	**4.00**
Canada	2y Govt	2.59	2.50	2.50	2.50	2.50	2.50	2.50
	5y Govt	2.80	2.65	2.70	2.75	2.80	2.85	2.95
	10y Govt	**3.19**	**3.00**	**3.05**	**3.10**	**3.15**	**3.20**	**3.30**
	2y Swap	2.41	2.37	2.37	2.37	2.37	2.37	2.37
	5y Swap	2.55	2.43	2.48	2.53	2.58	2.63	2.73
	10y Swap	**2.92**	**2.74**	**2.79**	**2.84**	**2.89**	**2.94**	**3.04**

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

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Appendix: Common acronyms

Exhibit 39: Common acronyms/abbreviations

This list is subject to change

Acronym/Abbreviation	Definition	Acronym/Abbreviation	Definition
ann	annualized	NADEF	Nota Aggiornamento Documento Economia e Finanza
APF	Asset Purchase Facility	NFR	Net Financing Requirement
APP	Asset Purchase Programme	lhs/LS	left-hand side
AS	Austria	m	month
BdF	Banque de France (Bank of France)	MA	Moving Average
BE	Belgium	MACD	Moving average convergence/divergence
BEA	Bureau of Economic Analysis	MBM	Meeting-by-meeting
BLS	Bank Lending Survey	mom	month-on-month
BoE	Bank of England	MPC	Monetary Policy Committee
BoI	Banca d'Italia (Bank of Italy)	MWh	Megawatt-hour
BoJ	Bank of Japan	NBFI	Non-bank financial institution
BoS	Banco de España (Bank of Spain)	NGEU	NextGenerationEU
bp	basis point	NE	Netherlands
BTP	Buoni Poliennali del Tesoro	NRRP	National Recovery and Resilience Plan
Buba	Bundesbank	NSA	Non-seasonally Adjusted
c	circa	NS&I	National Savings & Investment
CA	Current Account	OAT	Obligations assimilables du Trésor
CB	Central Bank	OBR	Office for Budget Responsibility
CNRF	Contingent Non-Bank Financial Institution Repo Facility	OECD	Organisation for Economic Co-operation and Development
CPI	Consumer Price Index	ONS	Office for National Statistics
CSPP	Corporate Sector Purchase Programme	OBR	Office for Budget Responsibility
CGNCR	Central Government Net Cash Requirement	p	preliminary/flash print
d	day	PBoC	People's Bank of China
GE	Germany	PEPP	Pandemic Emergency Purchase Programme
DMO	Debt Management Office	P&I	Pension and Insurance
DS	Debt sustainability	PMI	Purchasing Managers' Index
DXY	US Dollar Index	PMRR	Preferred Minimum Range of Reserves
EA	Euro area	PPF	Pension Protection Fund
EC	European Commission	PRT	Pension Risk Transfer
ECB	European Central Bank	PSPP	Public Sector Purchase Programme
ECJ	European Court of Justice	PT	Portugal
EFSF	European Financial Stability Facility	QE	Quantitative Easing
EGB	European Government Bond	qoq	quarter-on-quarter
EIB	European Investment Bank	QT	Quantitative Tightening
EMOT	Economic Mood Tracker	RBA	Reserve Bank of Australia
EP	European Parliament	RBNZ	Reserve Bank of New Zealand
SP	Spain	rhs/RS	right-hand side
ESI	Economic Sentiment Indicator	RPI	Retail Price Index
ESM	European Stability Mechanism	RRF	Recovery and Resilience Facility
EU	European Union	RSI	Relative Strength Index
f	final print	SA	Seasonally Adjusted
FPC	Financial Policy Committee	SAFE	Survey on the access to finance of enterprises
FR	France	SMA	Survey of Monetary Analysts / Simple moving average
FY	Fiscal Year	SNB	Swiss National Bank
GC	Governing Council	SPF	Survey of Professional Forecasters
GDP	Gross Domestic Product	STR	Short Term Repo
GNI	Gross National Income	SURE	Support to mitigate Unemployment Risks in an Emergency
GFR	Gross Financing Requirement	S&P	Standard & Poor's
GR	Greece	TFSME	Term Funding Scheme with additional incentives for SMEs
GSB	Green Savings Bond	TLTRO	Targeted Longer-term Refinancing Operations
HICP	Harmonised Index of Consumer Prices	TPI	Transmission Protection Instrument
HMT	His Majesty's Treasury	TTF	Title Transfer Facility
IMF	International Monetary Fund	UK	United Kingdom
INSEE	National Institute of Statistics and Economic Studies	UST	US Treasury yield
IP	Industrial Production	WDA	Work-day Adjusted
IR	Ireland	y	year
IGFR	Illustrative Gross Financing Requirement	yoy	year-on-year
PCA	Principal Component Analysis	ytd	year-to-date
IG	Investment Grade	DV01	Dollar value of a one basis point change in yield
IT	Italy	WAM	Weighted Average Maturity

Source: BofA Global Research

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