Global Rates Weekly

Slippery slope

The View: Supply pressures

Next week's 40y JGB auction in focus after the accelerated global bear steepening. We see steepening risks as most pronounced in the US and Japan.

— R. Preusser

Rates: Bidless bond

US: Long-end selloff is top of mind for market & we think has room to persist. We maintain 10s30s steeper & 30y swap spread short.

EU: The Dutch PF reform theme is picking up traction and weighs on the swaps curve, but the steepening of the German 10y-30y curve appears too large vs other markets.

UK: Pieces of a more constructive case for Gilts come together: currently, we are favouring receiving 10y10y UK real yields vs. the US and 30y Gilts on ASW.

AU/NZ: We see the RBNZ cutting rates next week. RBA cut was more dovish than we expected but front-end pricing looks rich. AU-US 10y spread likely to tighten.

JP: Domestic investors' JGB demand remains weak in FY25, but nonresidents aggressively buying on dips.

— M. Cabana, M. Swiber, B. Braizinha, R. Axel, S. Salim, R. Preusser, A. Stengeryte, M. Capleton, O. Levingston, T. Yamashita

Front end: Deficits, bill supply, X-date update

US: We update our X-date and bill supply projections after marking to market our deficit forecast.

— K. Craig, M. Cabana

Volatility: Balance of risks supports conditional steepeners

US: Balance of risks support backend steepeners & right side vol. Key risk to the view = belly driven selloffs on positioning and/or Fed repricing. We like payer ladders in the belly as an overlay to steepeners.

— B. Braizinha

Technicals: US 30Y yield flirts with 2023 highs

In line with our view, upside risk for US yields continued this week. Oscillators and averages remain in favor of this; however, the Oct-2023 highs are in the way.

— P. Ciana

23 May 2025

Rates Research
Global

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Our medium term views

Exhibit 1: Our medium-term views
Global views

Rationale	
Duration	• US: Paid near-dated FOMC OIS (July & Dec) as market is overpricing Fed cuts • 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 & spreads 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 expect the 10yr JGB yields to rise to 1.5% at end-2025. The BoJ is expected to keep its de facto QT at least until March 2026. • 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: Our Bank Rate base case implies scope for pricing in of more cuts later this year which also implies a steeper curve out to 10y. • JP: We believe the next rate hike will be delivered more likely in April 2026 rather than our prior base case of June 2025. TONA is likely to remain slightly below IOER in 2025. • 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 10s30s steepener & SFRZ5 Z6 flattener: supply pressures steepen back end but Fed cuts get pushed to '26 • 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 JGB curve to remain steep due to a lack of demand and potential for the Japanese government to draw up a supplementary budget. • AU: We like front-end flatteners. Recommend buying 3y bond futures (YM), selling Dec '25 bill futures
Inflation	• US: long 2y3y on higher realized inflation medium term • EU: We favor receiving 5y5y real €str and the forward real yield between BTPei 2033 and BTPei 2039. We also argue for BTPei 2039 iota narrowers. • UK: We would receive the forward real yield between UKTi 2035 and UKTi 2049, against paying the equivalent forward in TIPS. • JP: 10y BEI should increase in 2025, given supports from the BoJ and MoF.
Spreads	• US: Short 30Y spreads on dual disappointment of de-regs and deficit – also bearish long end spreads on market structure and flight to safety events. • EU: We expect the periphery to remain resilient, as the medium to long term outlook is more positive, We favourSspain, with a long on the PCA fly vs Italy and Germany. We are bullish on OATs for the very near term. We are neutral on 2-10y swap spreads but expect some richening in 30y Buxl spreads from year-end. • UK: We expect low coupon UKT 0.125% 2028s to perform relative to UKT 4.375% 2028s on ASW. We are also long 30y Gilts on ASW. • JP: Given (1) the potential for additional BoJ rate hikes and (2) BoJ's QT, JGBs are likely to be cheaper vs matched maturity swaps. • AU: We see wider swap spreads, especially in the front end given elevated funding risks, but flatter swap EFP box given bond supply is typically concentrated around 10y sector. We like tighter semi ASW and semi-ACGB spreads in the long end.
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 2y3y inflation, long fwd vol
EMEA :	We are long 15y OATs, received 5y5y "real €str", long 10y Spain on the credit fly vs Germany & Italy
APAC:	Short Dec '25 bill futures, buy 3y bond futures (YM) as hedge. Spreads: pay 1y1y bills-OIS basis (BOB), buy TCV 5.5% Sep-2039 vs 10y AU swap..

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

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The View

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The week that will be

The main event next week may be the 40y JGB auction. We have seen a meaningful acceleration in the global bear steepening trend this week, driven by the US downgrade, Dutch pension reform amendments failing and the weak 20y JGB auction (Exhibit 4). Common drivers are supply, QT and lack of LDI demand. This is unlikely to change, but is a bigger issue, in our view, in the US and Japan, than the Euro Area and the UK (see Liquid Insight 21 May 25). We stick with steepeners and 30y spread shorts in the US, forward real yield longs in the UK vs the US and longs in 30y Gilts on ASW.

Beyond the ongoing fiscal discussion, the focus in the US will be on PCE and the FOMC Minutes. Our economists are looking for a benign 0.1% mom core print, but revisions create the risk of a 2.7% yoy number. We will also pay attention to personal spending given the continued divergence between soft and hard data for the US consumer.

In the Euro Area (EA) we will see yet more soft data, as well as the first national inflation prints for May. Our economists are looking for lower prints across the board as the Easter effect fades. We remain bullish EUR rates and bearish EUR breakevens vs the US.

Finally, we expect the RBNZ to cut rates by 25 bp, in line with consensus and market pricing (see New Zealand Watch 22 May 25).

The week that was

The week started with Moody's downgrade of the US. This brought attention back to US fiscal policy which is unlikely to deliver an improvement in the deficit (see Liquid Insight 18 May 25 and US Economic Viewpoint 20 May 25). It was followed by a very weak 20y JGB auction on Tuesday, failure of the Dutch pension reform amendment in parliament later that day, and a weakish 20y auction in the US on Wednesday. 30Y UST yields pushed above 5% to their highest levels since 2023, as previously indicated by our technical signals and patterns (Technicals).

Soft data – as expected – failed to send a clear signal with manufacturing benefitting from front-loading of orders and uncertainty seemingly weighing on services. The bigger surprise and market mover was the upside surprise in Canadian and UK inflation (see Canada Watch 20 May 2025 and UK Watch 21 May 2025). We see both BoC and BoE on hold in June and recommend paying June BoC OIS (see Rates Alpha 21 May 25).

The RBA cut rates as expected, however, the statement and press conference surprised on the dovish side: market pricing added more than one full cut for the remainder of 2025. We reiterate our Dec25-3y flattener (see Australia Watch 20 May 25).

Exhibit 4: First principal component of 10y-30y bond curves globally (*)
Global bond curves faced intensified steepening pressures in the back-end since April

Source: BofA Global Research. (*) Based on a principal component analysis of 10y-30y curves globally using a 3y history
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Rates – US

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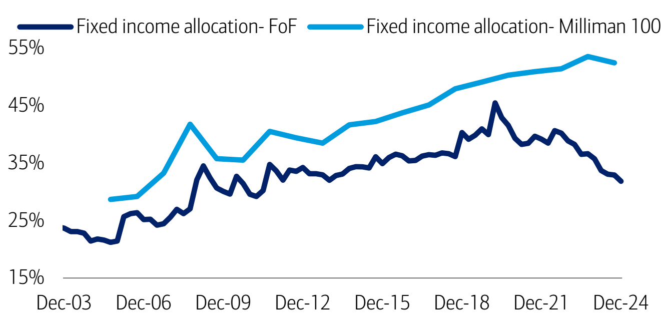
- Long-end selloff is top of mind for market & we think has room to persist
- We maintain 10s30s steeper & 30y swap spread short

Bidless bond

The UST curve bear steepened as concerns around deficits & debt downgrade (see: US downgrade & US fiscal FAQ) met a sparse demand backdrop, particularly for the long end of the curve. Coming into the week, we flagged that prominent long positions moved out of the money and were vulnerable (see: Positioning lagging sentiment).

Our conviction across the curve remains strongest at the front and back end. In the front end, we hold our flatteners to position for fewer cuts this year and more next year (SFR Z5 – Z6) and we recommend paying July & December FOMC OIS. At the long end, we are in 10s30s steepeners and short 30y spreads. While market focus is squarely on the continued long end led selloff, we believe there is more room for this trade to perform (see US Volatility). US fiscal worries will likely accelerate as the House finalizes their bill & the Senate reduces the amount of spending cuts (see: No respite for the deficit).

Exhibit 5: DB private pension fixed income allocation from Flow of Funds and smaller Milliman subset
Milliman funds have higher fixed income share of assets vs broader private DB pension funds according to FoF



Source: BofA Global Research, Milliman, Federal Reserve
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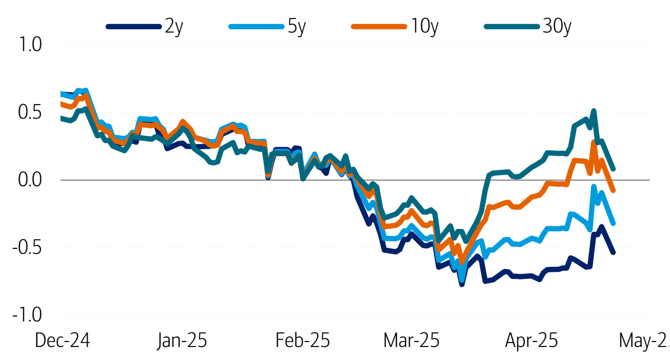
Exhibit 6: Correlation between SPX and UST returns by tenor
Have recently observed strong discrepancy between correlations by tenor, with shorter tenors offering more diversification vs equity returns



Source: BofA Global Research, Bloomberg; note: 20-day correlations shown
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Demand pullback from domestic investors

We believe end-user demand for the long end is limited for three core reasons: 1/ pension & LDI bid appears to be cooling for now, 2/ the back end offers less diversification benefit, 3/ the distorted 20y point limits rolldown for the 30y.

Slowing LDI demand: While defined benefit (DB) private pension funds remain well funded according to the Milliman Index, de-risking flow into fixed income appears to be slowing (see: Real money steepener). We see evidence of this in cooling demand for stripped USTs (effectively longest sovereign duration asset is principal only 30y coupon). The most recent Milliman annual report also suggests that while pensions were very well funded last year, they did not increase fixed income allocations.

Milliman 100 pensions have been adding to fixed income for nearly two decades while the broader DB private pension universe has been adding more to equities and re-risking (Exhibit 5). The recent long-end selloff may eventually present opportunities for flows from this investor, though present volatility may keep demand at bay.

Lower diversification: Long end USTs have exhibited worse diversification value vs other parts of the curve (Exhibit 6). As multi-asset investors leverage USTs for diversification vs risky assets, they may be less inclined to extend out to the long end. We see examples of this in fund flows, active Agg investor positioning, and CFTC asset manager futures holdings which all reflect a skew towards steepener positioning.

Poor roll characteristics: While the curve is now largely upward sloping, the 30y bond rolldown yield is extremely unattractive driven by the cheapness of the 20y sector. 10y20y vs 30y yield differential is historically stretched (Exhibit 7). UST's issuance at the 20y point is now likely cannibalizing demand for the long end at large.

Exhibit 7: 10y20y less 30y yield (BPS)

Roll of 30y over 10y holding period is extremely unattractive

Source: BofA Global Research, Bloomberg

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Exhibit 8: FX hedged pickup of 30y foreign vs local sovereign for different local currency investors

For USD & foreign investors, yield is more favorable outside of US if hedging FX risk

		Local currency				
		USD	JPY	EUR	CAD	GBP
Sov spread (BPS)	USD	-	-232	-53	-47	-60
	JPY	235	-	180	180	175
	EUR	54	-179	-	2	-3
	CAD	47	-181	-2	-	-6
	GBP	60	-177	3	6	-
10y Z-score	USD	-	-1.19	-0.77	-2.35	-1.01
	JPY	1.19	-	1.49	1.14	1.79
	EUR	1.96	0.94	-	1.03	2.45
	CAD	2.78	1.00	2.19	-	2.78
	GBP	1.79	1.36	1.61	0.94	-

Source: BofA Global Research, Bloomberg; note 3m FX hedge used

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Global investors have better options

As we have observed this week, bear steepening is a global phenomenon, not just a US story (see: Big bang bond steepening). We continue to believe though that the US curve will see more steepening pressure vs other global curves.

This is supported by the relative attractiveness of the long end of foreign curves vs the US on an FX hedged basis. For US & foreign FX hedged investors alike, USTs are far less attractive than other alternatives (Exhibit 8). This is particularly relevant now given how historically stretched theses differentials are and that global investors are likely more inclined to FX hedged duration risk (see: FX and Rates Sentiment Survey). While this may not result in outright selling of USTs, it argues for diversification out of USTs and into other markets over time (see: Global Rates Viewpoint).

August next opportunity for UST action

We believe immediate response from Fed & Treasury is unlikely near current yield levels. While we were hopeful that Treasury would act at the May refunding to support long-end market sentiment, the missed opportunity increased our conviction on long end shorts (see: Signal miss). The next steps from UST would involve reducing WAM of issuance and increasing long end buybacks. We do not expect any action from UST before the next refunding (July 30). Secretary Bessent remarks before then are unlikely to bolster market confidence without credible action.

A Fed response to support market confidence is also unlikely without broad scale deleveraging that causes disruptions in the funding market. Roberto Perli (SOMA portfolio manager) remarks on April events suggest that Fed is not concerned without a funding disruption. Even then, the first course of action would likely be to address funding markets vs QE style purchases that directly address the long end.

Rates – EU

Sphia Salim
MLI (UK)

Ralf Preusser, CFA
MLI (UK)

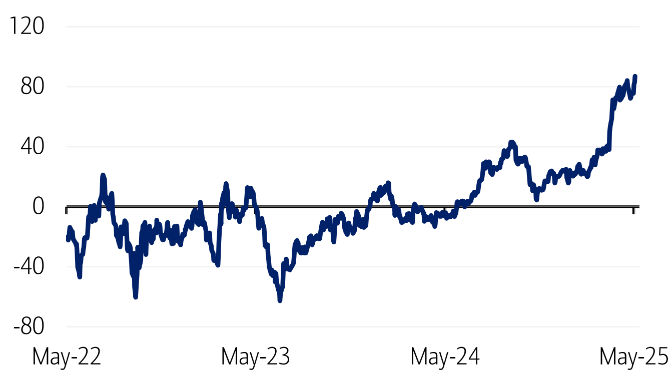
- Long-end steepening pressures are pronounced across developed markets driven by deficits, QT and reduced LDI demand. In EUR, the Dutch PF reform theme is picking up traction and weighs on the swaps curve, but 10y-30y Bund curve looks too steep.

Excerpt from: Liquid Insight: Big bang bond steepening 21 May 2025

We are seeing a pronounced steepening of yield curves across G10. Drivers are high government financing needs, shrinking central bank balance sheets, and less duration demand from liability driven investors (LDI). Pressures intensified since "Liberation day".

There are however nuances that make steepeners in some markets more attractive than in others. Historical cross-market dynamics point to the German and Japanese curves as having steepened too much (Exhibit 10). We would fade this elevated residual in the German curve relative to the US, but not that in the Japanese curve.

Exhibit 9: 1st principal component of 10y-30y bond curves globally *
Global bond curves faced intensified steepening pressures since April



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

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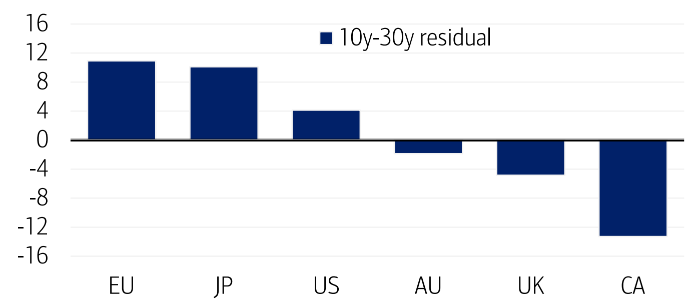
Exhibit 10: Residual of 10y-30y curves for each country based on the first two global principal components, as of 22-May (*)
The German curve has steepened much more than expected based on historical cross market curve dynamics. AU, UK and CA curves were resilient



Source: BofA global Research,. (*) Based on a principal component analysis of 10y-30y curves globally using the history of the past three years. Positive residual = curve too steep

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Dutch pension fund reform: one hurdle to the steepening was just lifted

The most significant structural change for the back end of the EUR curve is the Dutch pension funds moving from defined benefits to defined contributions by Jan-28. This move will ultimately reduce the pension funds' receiving needs in long-dated swaps, but near term we have argued that the momentum in 10s30s EUR swaps curve steepening could slow, partly due to a potential amendment to the reform delaying implementation (see: Liquid insight of Apr 1st). On Tuesday, however, this amendment was rejected in parliament, lifting one of the hurdles to the Dutch PF curve steepening theme.

Still, the timing and size of the unwinds remain uncertain. The absence of receiving in the 50y sector can indeed, on its own, support a continuation of the trend, but may be felt more in 20s50s and 30s50s than in 10s30s. We also believe this remains a theme better expressed in swaps than bonds. In fact, we believe it will ultimately lead to 30y European government bonds richening vs swaps, and outperforming 10y bonds on ASW.

Fiscal: limited increase in funding needs for defense

While the German fiscal shift represent a game changer for growth outlooks, we see limited impact on bond issuance needs over the next few quarters. We estimated that, without the use of any potential cash buffers, extra defence spending may lift German bond supply this year by around €18bn, through the re-introduction of 7y auctions from

3Q25 (details in Global Rates Weekly, 28-Mar). We will be able to update projections when the German cabinet submits the 2025 budget in June.

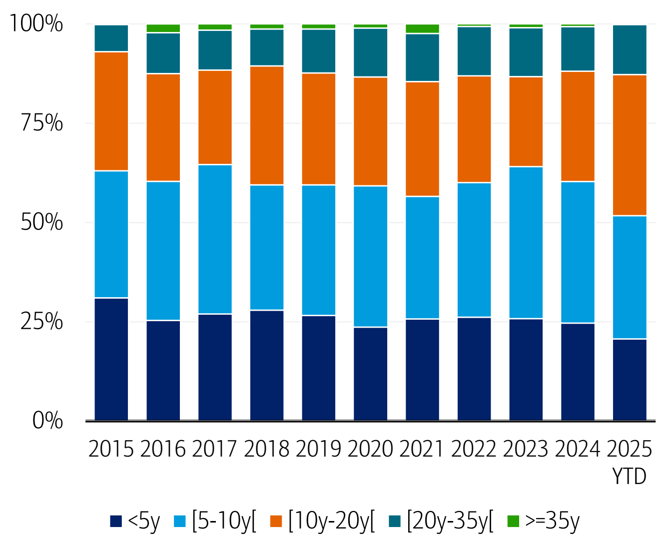
For the rest of the Euro Area, we also argued that defence spending should have very little impact on bond issuance needs this year (around €10bn). Beyond that, the need for fiscal restraint in the periphery and France will likely keep additional domestic issuance for new defence spending very limited in coming years too, with more done at EU level.

Overall, for the Euro Area in 2025, our expectations were for an implied a c.2% in gross bond supply due to extra defence spending, to €1.3trillion gross and €637bn net of coupons, redemptions, buybacks and ECB QT. Around 53% of that supply will have been completed by the end of this month, in line with the recent historical average.

We expect the maturity of EGB issuance to fall in the rest of the year. YTD, the portion of issuance conducted in the 10y+ part of the curve is significantly higher than typically levels for full calendar years (Exhibit 11). The front-loading of syndications could explain this (with most countries having completed all their syndication plans for the year – bar potentially Portugal & Finland). We also expect this to provide treasuries with more flexibility and allow them to react very dynamically to any reduction in demand in the back end of the curve, with auctions being more focused on shorter-dated bonds.

Exhibit 11: Breakdown of European Govt bond issuance by sector

YTD, close to 50% of supply was in the 10y+. Historically, the share over the full calendar year averaged c.40% (post QE) & 30% pre QE (not shown here)



Source: Debt agencies, BofA Global Research

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Exhibit 12: Different approaches to think about potential bond flows

Most analysis point to significant buying potential in Euro area bonds

Analysis	Type of investors	Est. flows out of USTs	Est. flows into EUR bonds
Optimal asset allocation	we focus on cross asset portfolios invested in EUR & USD	no change to UST allocations	share of EGB increased by 5ppt. Could correspond to over 1 trillion of buying
CB diversification	foreign official institutions	*n/a*	Potential for c. 600bn of buying to return to 25% EUR share
Increased FX hedged buying of EGBs	we focus on Japanese private investors	*n/a*	Potential for 100bn of EUR bond buying to recover from the under-investments
Rapid reduction in share of foreign investors in UST	foreign private and official investors	$500bn of selling possible based on peak 1y reduction	*n/a*
Rebalancing to 2015 asset composition in US and EUR portfolios	each investor type considered separately	$2.5tr selling by US investors, vs buying from foreigners	3 trillion buying by euro area investors 1.7 trillion buying by foreign investors

Source: BofA Global Research

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Demand: more positive outlook for EGBs

We are constructive on the demand outlook for EGBs (see Global Rates Viewpoint 20 May 25). At least three factors explain the surging interest in the theme of potential global re-allocation out of US bonds into European fixed income: (1) the surprising weakness in long-dated USTs (outright and vs Bunds) in the risk-off episode mid-April, (2) the sharp USD depreciation, (3) the narrative around reduced US policy predictability that could dampen demand for US assets.

We see four reasons supporting a reallocation towards European fixed income: 1/ a mean-variance portfolio optimization process suggest a rebalancing towards EGBs; 2/ attractive FX hedged pick-ups suggest support for the periphery in particular; 3/ domestic investors remain heavily underweight EUR fixed income relative to their pre-QE asset allocation; 4/ FX reserve demand is also likely to support demand for EGBs. In Exhibit 12 we summarize the approaches we presented in the Global Rates Viewpoint 20 May 25 to try and quantify potential flows into Euro area bonds.

Rates – UK

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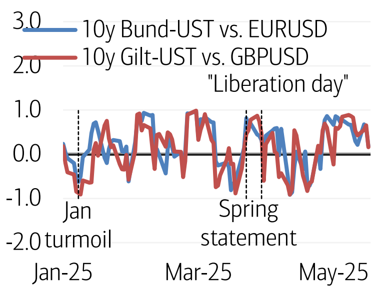
- Pieces of a more constructive case for Gilts come together: currently, we are favouring receiving 10y10y UK real yields vs. the US and 30y Gilts on ASW.

Pieces of a more constructive case for Gilts come together

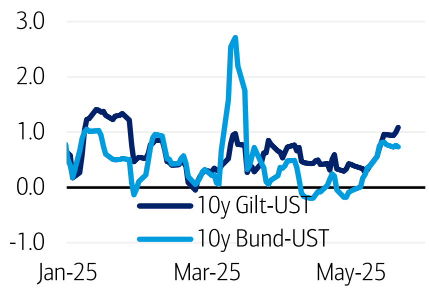
Year-to-date, the bond yield and currency correlation has been weaker in the UK than in the Eurozone on average, indicating a weaker "safe-haven" aspect of Gilts relative to Bunds, we would say (Exhibit 13). Besides the locally driven volatility in January, 10y Gilts have also exhibited a higher beta to USTs more recently (Exhibit 14). Stronger discrepancies have also emerged between Gilt and UK equity correlations, with longer-maturity Gilts in particular offering less of a diversification benefit, not unlike in the US (Exhibit 3 & US bond outflows into EUR?, 20 May). Gilt curve distortions relative to fitted FV remain elevated, although largely we assign this to the favourable tax-treatment of low coupon Gilts rather than a sign of stressed liquidity conditions.

Exhibit 13: Yield spread and currency correlation, 5-day moving average
YTD, GBP average < EUR average



Source: Bloomberg, BofA Global Research
BofA GLOBAL RESEARCH

Exhibit 14: 10y Gilt and Bund beta to USTs, 10-day moving average
YTD, GBP average > EUR average



Source: Bloomberg, BofA Global Research
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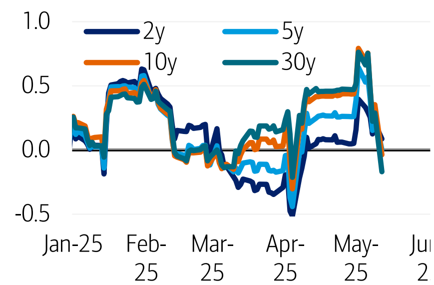
Exhibit 15: FTSE 100 and Gilt return 20-day correlation by maturity
Shorter maturities=more diversification recently



Source: BofA Global Research, Bloomberg
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In any case, many challenges that the Gilt market faces can help explain these dynamics, as we have articulated in the past (see Choices under pressure. An ambitious UK Treasury has options to tame Gilts, 19 March), including:

- **The pensions bid at journey's end:** the defined benefit pensions liability has halved from £2tn at the peak, and the asset mix is now mostly bonds; the number of scheme members is falling (and they are aging) quickly; the hedging need is greatly diminished and the Gilt issuance pattern must adapt quickly.
- **Rising, rather than falling, WAM of the national debt:** the WAM of outstanding government securities has been falling gently for a few years. But that is not the national debt. QE was a liability swap, switching Gilts for reserves (with a WAM of zero). As QT unwinds that swap, it has been a force for WAM lengthening, eclipsing the impact of the shortening of Gilt issuance.

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

- **Receive 10y10y UKTi real yield vs. UST.** Entry: 22bp pickup. Target: -40bp. Stop: 50bp. Current: 18bp. Risk: poorly digested long-dated Gilt supply.
- **Long 30y Gilt on ASW (using UKT 4.375% 2054).** Entry: 91bp. Target: 75bp. Stop: 100bp. Current: 95bp. Risk: re-emergence of UK fiscal worries.

Our reasoning is primarily based on three factors:

- **Revised remit, revised thinking – the DMO has delivered…** The DMO's unusual step of reshaping the Gilt programme significantly in April when the 2024-25 fiscal year outturn became known (so soon after the Remit was first set, in the Budget), was another welcome development. The WAM of Gilt issuance was cut further and we expect the DMO to continue managing Gilt issuance more proactively through the year.
- **… now BoE to deliver next – QT slowdown theme into late summer.** No active QT from October would imply a roughly 20% reduction in long Gilt sales from DMO and BoE combined relative to the current Remit and unchanged QT pace from October; as outlined in Finding the right balance (sheet), 16 May, we do not pick a base case scenario for QT for now. But the seemingly one-sided nature of the outcome (we would be shocked if the pace increased from October) aligns with our constructive stance on long-end Gilts on ASW.
- **Improved IIP:** The publication of the Q4 balance of payments details in March contained a radical revision. The net IIP shortfall for the previous quarter was revised from a shortfall of £837bn to one of £398bn, and the Q4 outturn reduced the deficit further to £280bn. At the stroke of a pen, something we had regarded as a material fragility for the UK economy and bond market was no longer the problem we had thought it was (Exhibit 16).

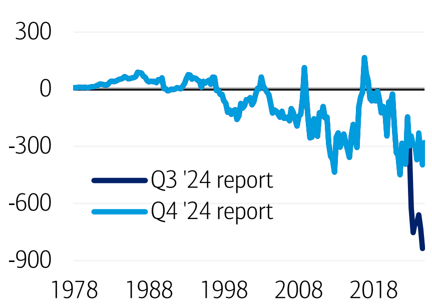
We would highlight some more tactical reasons for being constructive Gilts also:

- June and July are relatively heavy Gilt coupon payment months, with around 40% of coupons going to long-dated Gilts (37% of the coupons going to privately-held Gilts).
- With the UKT 2056 syndication out of the way, there is only one long Gilt auction remaining this quarter (UKT 2063 in early June) and one long Gilt programmatic tender (in late June). The DMO is not planning a long Gilt syndication in 3Q25.

The market may be warming up to this more positive narrative also: our most recent FXRS suggested Gilt duration exposure has risen both relative to core Europe and USTs lately (see Exhibit 17, I'm a dollar short, 9 May). And there are tentative signs that the 10s30s Gilt curve appears to have been more resilient to the global steepening pressures since April (see Exhibit 18, Big bang bond steepening, 21 May).

Exhibit 16: 2/3 of UK's IIP problem disappears

UK net International Investment Position (IIP), reported in Dec and Mar, £bn



Source: BofA Global Research, LSEG Data & Analytics

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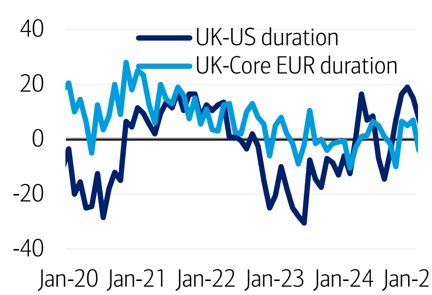
Exhibit 17: UK - EUR/US duration exposure

UK vs core EUR Bull-Bear rates exposure spread



Source: BofA FXRS. BB is the Bull-Bear Index for exposure and view. It weights responses to create an index ranging from -100 to + 100, zero representing neutral.

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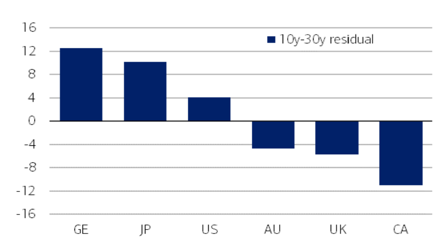
Exhibit 18: Residual of 10y-30y curves for each country based on the first two global PCs*

UK 10s30s resilient in the recent global steepening move



Source: BofA global Research,. (*) Based on a principal component analysis of 10y-30y curves globally using the history of the past three years. Positive residual = curve too steep. As of 20 May.

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Rates – AU

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Dovish RBA cut

The Monetary Policy Board (MPB) cut the cash rate target by 25bps to 3.85% as was widely expected (see report: RBA review 20 May 2025). While most economists expected a 25bps cut (31/33 in Bloomberg survey, 2/33 expected 50bps cut) and it was fully priced by the market, the Governor noted the MPB considered a hold, 25bps, and 50bps cut, but 25bps was a 'confident cut'. The uncertain outlook and revised forecasts reinforce our view that the RBA will hold in July, with the next cut most likely in November, barring a significant growth shock or downside inflation surprise.

We anticipated a more hawkish cut…

We anticipated a more hawkish message from the RBA. Governor Bullock leaned heavily into global risks which means that the front end is likely to rally aggressively if we get any policy-driven volatility in capital markets. The US President's announcement that tariffs will be set unilaterally by correspondence over the next few weeks means the risk is elevated. However, absent a major global shock, it is still difficult to conceive the RBA easing more than quarterly (i.e. after quarterly CPI data), which would mean two more cuts in August and November. Our economists see just one more (November).

… but RBA pricing is unlikely to be realised

With 40bps priced by August and more than 70bps priced by year end and, 2025 RBA dates continue to look too rich and levels look quite stretched. The RBA is likely to deliver at most no more than two cuts this year (our economists see just one more in November). The current state of play in trade (and fiscal) policy doesn't seem to justify overweighting downside risk scenarios for US and global growth and our US economists continue to see no more Fed cuts this year.

… and we still like selling Dec '25 vs 3y futures

We still recommend selling Dec '25 bill futures vs 3y bond futures (YM contract) because a lot of the 'dovish' commentary hinged on global risks, which we do not see as likely to materialise. We entered the trade at 21bps with a target of 8bps and a stop of 27bps (current level 24bps). The risk to the trade is another global risk-off event, which would likely see markets front-load cuts even more aggressively given the RBA's commentary.

Is it time to go long AU duration vs US?

The Aussie-US spread has come in quite a bit but that should keep tightening over time. We continue to forecast 10y ACGBs trading 75bps through USTs by year-end '26. Given divergence between the RBA's dovish signalling and the Fed's 'wait-and-see' approach, buying AU duration (i.e. 10y) on a cross-market basis now looks quite attractive, in our view.

We are still bullish semis: buy TCV Sep '39 vs 10y swaps

The implications of Victoria's budgets are mixed but spreads have tightened modestly. TCV's projected borrowing program has increased slightly following the Budget. However, Victoria's funding task will remain broadly stable around AUD 30bn, which is not the highest of the State Governments, and means the Australian Government will borrow more than the States over the forward estimates.

This is a substantial shift from the past few years, and we continue to see tighter semi-ACGB spread. We still recommend buying TCV 5.5% Sep 2039 bonds, paying 10y swap (entry 133bps, target 100bps, stop 148bps, current 135bps). On a fundamental basis, Victoria's positive exposure to rising consumption and a rebound in housing transaction volumes are bullish for TCV bonds. Risk: wider semi spreads in a risk-off event.

Rates – AU & NZ

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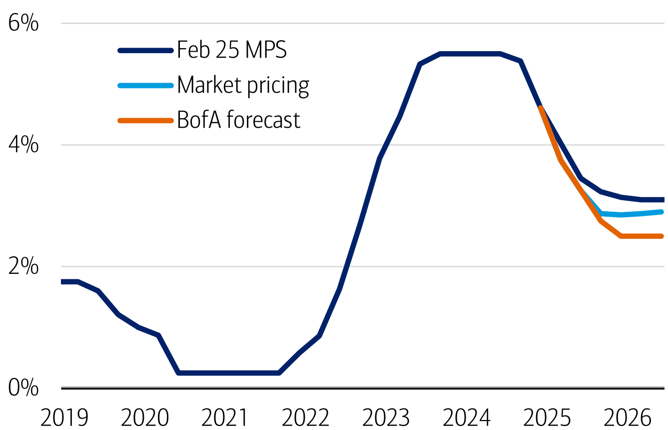
We forecast RBNZ to cut rates by 25bps to 3.25%

We expect the Reserve Bank of New Zealand (RBNZ) to cut the Official Cash Rate (OCR) by 25bp to 3.25% on May 28, in line with consensus and market pricing (Exhibit 19). The RBNZ is likely to signal further easing and revise down the projected OCR path, with global headwinds suggesting the OCR will fall below the RBNZ's estimated neutral level of ~3%. Risk is for a 50bps cut given we see a strong case for further easing.

Exhibit 19: RBNZ OCR projections vs market and BofA forecasts (%)
We expect further easing in 2025 below market pricing in response to a weak growth outlook



Source: RBNZ, BofA Global Research

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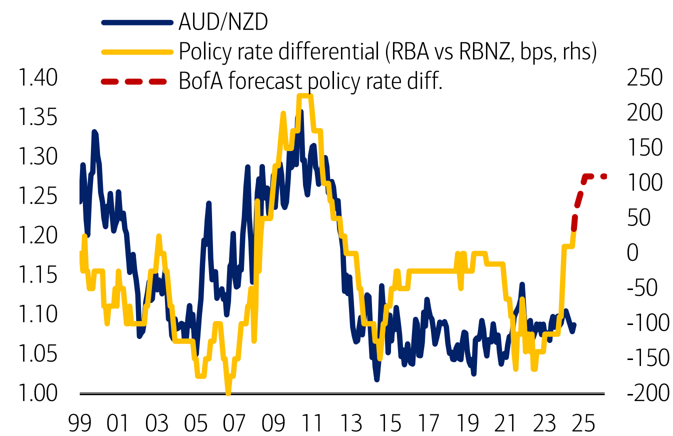
Exhibit 20: AUD/NZD vs policy rate differentials (including forecasts)
We forecast higher AUD/NZD (YE '25: 1.10, YE '26: 1.13)



Source: Bloomberg, BofA Global Research

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Global growth headwinds support further easing..

Global trade developments and associated uncertainty imply lower growth and inflation in NZ, which we expect will lead to the RBNZ lowering the OCR to 2.5% in 4Q25. Global headwinds are expected to constrain the already subdued economic recovery, and we forecast below-potential growth of 0.7% in 2025 (see our report: Global trade headwinds, local growth risks). The overall impact on inflation is uncertain, but risks are skewed to the downside. We expect inflation to remain slightly above the middle of the RBNZ's 1-3% target band at 2.2% in 2025.

… domestic growth momentum remains fragile

Domestic growth remains weak and vulnerable to a shock. Retail trade transactions point to subdued consumption through to April, while consumer confidence remains pessimistic. Rising labour underutilization, surprisingly weak employment growth (-0.7% yoy in 1Q), falling hours worked and wage inflation at 2.6% in 1Q (from 3.0% in 4Q) all point to a soft labour market. While the unemployment rate surprisingly remained at 5.1% in 1Q, lower participation is doing the heavy lifting

Wider rate differentials = weaker NZD

Given broad pockets of illiquidity in NZ rates, we prefer to express our rates views in NZD. Some of the recent resilience in NZD likely reflects underweight positioning. Still, a sustained slowdown in global growth is likely to weigh on NZD, which has less terms of trade buffer compared to other commodity currencies.

Rates – JP

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- Domestic investors' JGB demand remains weak in FY25, but nonresidents aggressively buying on dips
- However, nonresidents could cut losses and lifers' use of reinsurance means their superlong demand is unlikely to increase. We therefore think JGB curve could continue steepening

This is an excerpt from Japan Rates Watch, 20 May 2025

Superlong demand still lacking

Despite the growing risk-off mood prompted by President Trump's announcement of "reciprocal" tariffs in early April, domestic investors' JGB purchases did not increase, and nonresidents were the largest buyers. Flow data also indicate that regional banks – among the key JGB investors thus far – are losing their appetite for JGBs.

We expect the JGB curve to continue steepening. In fact, 20yr JGB auction result on 20 May was very weak. We expect the surplus of superlong supply to persist given the potential for Japanese life insurers to increase their use of reinsurance and for nonresidents to cut losses, and the fact that the Ministry of Finance (MOF) is unlikely to reduce JGB issuance in the near term (for details, see Japan Rates Watch: What can BoJ/MOF do about steepening yield curve? 15 May 2025).

Exhibit 21: Net transactions of Japanese government bonds (¥100mn, purchase- sales)
Net purchases = (+), Net sales = (-)

Investor Type	Purchase - Sales (Net Purchase(+), Net Sale(-)); ¥100million					
	Total Govt bond	Interest-bearing Govt Bond	Long-term (Over 10 year)	Long-term	Medium-term	TB
City Banks & Long-Term Credit Banks	-58,977	-13,274	-5,179	-2,525	-5,570	-45,703
Regional Banks	-3,001	-2,816	1,287	-1,553	-2,550	-185
Trust Bank	19,333	-4,936	408	-3,333	-2,011	24,269
Fin.Insts. for Agr. & Forestry	-1,200	-1,200	-1,051	-658	509	0
2nd Regional	-910	-910	-552	-290	-68	0
Shinkin Banks	-58	-49	-171	331	-209	-9
Other Fin.Insts.	779	781	663	-22	140	-2
Life & Non-Life Insurance Companies	9,604	6,299	270	3,370	2,659	3,305
Investment Trusts	6,967	-603	438	-546	-495	7,570
Mutual Aid Association of Govt.Offices	70	70	68	2	0	0
Business Corporations	542	480	-29	363	146	62
Other Corporations	9,411	1,601	16	732	853	7,810
Nonresident investors	255,337	50,140	22,887	19,101	8,152	205,197
Individuals	11	9	12	-9	6	2
Others	-244,618	-37,283	-14,214	-12,540	-10,529	-207,335
Bond Dealers	-737	-912	-165	-141	-606	175
Total	-7,447	-2,603	4,688	2,282	-9,573	-4,844

Source: JSDA, BofA Global Research

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Front end – US

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- We update our X-date and bill supply projections after marking to market our deficit forecast

Below is an excerpt from Funding notes: deficits, bill supply, X-date update

Revised deficit forecasts => late Oct X-date

The U.S. fiscal deficit is in focus again as Congress considers a reconciliation bill that will boost the deficit (see: Fiscal policy: no respite for the deficit). While our economists' basecase deficit projections do not impact our expectations for coupon issuance near-term, the slightly lower deficit in 2025 does impact our bill supply and X-date projections which we detail below.

Our economists marked to market their FY '25 deficit forecast down from $2tn to $1.9tn and updated their monthly deficit projections, which we use as an input into our financing need estimates for the US Treasury. The lower deficit implies slightly lower bill supply and later X-date than prior projections (see: Debt limit FAQ & Funding notes: refunding & front end).

Our lower near-term deficit forecast pushes our X-date back to late October, from mid-October (Exhibit 22). However, we see Treasury's available measures getting uncomfortably low in late August, in line with Sec Bessent's recent letter to Congress. Given this guidance, we continue to expect Congress to pass a debt limit resolution in late July/early August.

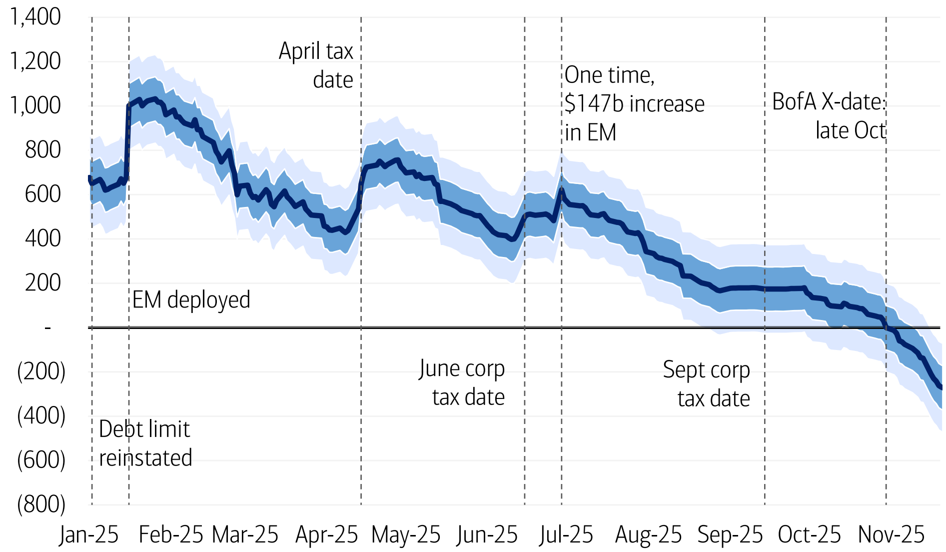
Once the debt limit is resolved, we forecast Treasury will issue a $900b wave of bill supply to help rebuild the TGA (Exhibit 23). While we assume a relatively rapid rebuild of the TGA, our monthly bill projections are below the monthly net bill issuance we saw immediately after the latest debt limit episode in 2023, supported by the Sept corporate tax date. Still, we acknowledge risks are skewed to a slower TGA rebuild and a more drawn-out pace of bill supply growth. We do not expect this bill supply to be linear, typically the largest wave of bill supply is in the first couple months following a debt limit resolution and therefore expect bill supply growth to be front-loaded.

The debt limit resolution will likely also increase focus on fiscal policy and deficit growth if tied to a reconciliation bill. Congress is currently considering a debt limit resolution via a reconciliation bill which will likely extend expiring tax cuts and enact additional tax cuts with limited spending cuts (see: Fiscal policy: no respite for the deficit).

To keep pace with this deficit growth, we expect Treasury will need to start growing coupon supply to keep bills around 20% of marketable debt outstanding, in line with TMPG guidance. This would likely require Treasury to start growing coupon sizes in February '26. It is possible however that Treasury allows higher bill supply growth vs TBAC guidance, especially given concerns around cheapening pressure at the back-end of the curve and potential for stablecoin legislation to create structurally more demand for bills (see: Stablecoins & USTs). Higher bill supply would also help to bring down Treasury WAM, which is currently at historically elevated levels.

Exhibit 22: EM + Treasury cash balance remaining forecast ($bn)

We acknowledge a wide range of uncertainty (+/-$200b) with our X-date now late-Oct with risks starting in late Aug



Source: BofA Global Research, US Treasury, Haver Analytics

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Exhibit 23: Bill and coupon issuance estimates by month ($bn)

We forecast ~$900b in bill supply post debt limit resolution, which we expect in late July/early Aug

	Financing Need	TGA EOP	TGA Change	Other sources*	Marketable Borrowing	Buybacks	Net Coupon	Net Bills	Fed Coupon Maturities	Fed Bill Maturities	Net Coupons to the Public	Net Bills to the Public	Net Supply to the Public
	1		2	3	4 = 1 +2 - 3	5	6	7	8	9	10 = 6 + 8	11 = 7 + 9	12 = 10 + 11
Oct-24	224	921	35	-24	283	9	77	182	25	0	102	182	284
Nov-24	488	757	-164	-26	350	8	121	203	25	0	146	203	349
Dec-24	-2	722	-35	-39	-37	22	166	-203	25	0	191	-203	-12
Jan-25	169	793	71	-25	240	9	47	193	25	0	72	193	265
Feb-25	343	560	-233	-28	110	9	122	-12	25	0	147	-12	135
Mar-25	100	406	-154	-36	-54	33	158	-212	25	0	183	-212	-29
Apr-25	-292	678	272	-23	-20	35	76	-96	5	0	81	-96	-15
May-25	300	500	-178	-23	122	9	158	24	5	0	163	-24	136
Jun-25	-25	450	-50	-23	-75	31	183	-258	5	0	188	-258	-70
Jul-25	259	350	-100	0	159	9	93	66	5	0	98	66	164
Aug-25	242	450	100	0	342	9	138	204	5	0	143	204	347
Sep-25	-21	850	400	0	379	31	163	216	5	0	168	216	384
Oct-25	180	858	8	0	188	9	79	109	5	0	84	109	193
Nov-25	425	867	8	0	434	9	131	302	5	0	136	302	439
Dec-25	48	875	8	0	56	31	157	-101	5	0	162	-101	61
Jan-26	-109	883	8		-101	11	33	-134	0	0	33	-134	-101
Feb-26	571	892	8		580	9	125	455	0	0	125	455	580
Mar-26	472	900	8		481	9	193	288	0	0	193	288	481
Apr-26	-236	908	8		-228	31	76	-303	0	0	76	-303	-228
May-26	391	917	8		400	9	171	228	0	0	171	228	400
Jun-26	147	925	8		155	31	209	-53	0	0	209	-53	155
Jul-26	207	933	8		215	9	112	103	0	0	112	103	215
Aug-26	213	942	8		221	9	177	44	0	0	177	44	221
Sep-26	-110	950	8		-102	31	229	-331	0	0	229	-331	-102

Source: BofA Global Research, US Treasury, Federal Reserve

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Volatility - US

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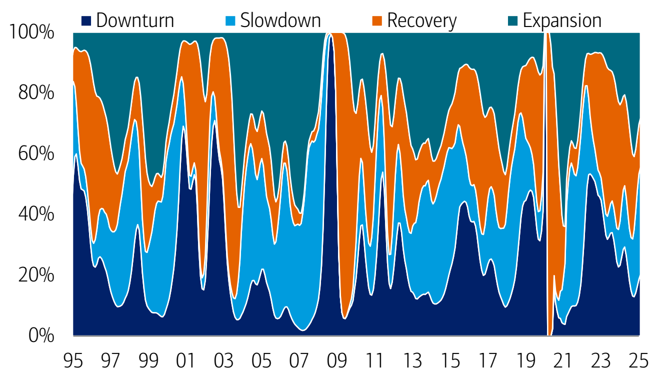
- Balance of risks continues to support backend steepeners & vol on the right side of the grid. Key risk to this view = scenarios of belly driven selloff on positioning and/or Fed repricing. We like payer ladders in the belly as an overlay to steepeners.

Balance of risks continues to support steepeners

Recession likelihoods faded in recent weeks. The market saw scope for two potential recession mechanisms: (1) a gradual slowdown (higher slowdown likelihoods – Exhibit 24) that eventually culminates in a recession (higher downturn likelihoods – akin to '07-08); and (2) an instantaneous negative shock, with tariffs as the likely catalyst, that tips the economy into a recession (akin to the '20 COVID shock).

Exhibit 24: Likelihoods of expansion, downturn, slowdown & recovery extracted from the dynamic of US leading indicators

Two recession mechanisms: gradual slowdown & instantaneous shock



Source: BofA Global Research

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Exhibit 25: Shift in macro factors for the US economy extracted from our macro framework for UST rates

From the mid-April peak in negative momentum, macro fundamentals are finally showing a marginal positive bias (as of 19 May '25)

	Factor changes					
	4w	**Z-Score**	**8w**	**Z-Score**	**12w**	**Z-Score**
Broad Macro	**-0.11**	**-0.06**	**-1.20**	**-0.40**	**-1.07**	**-0.25**
Growth	**-0.60**	**-0.40**	**-2.73**	**-1.27**	**-3.64**	**-1.24**
Inflation	0.21	0.20	0.83	0.40	1.27	0.42
Employment	0.20	0.13	0.76	0.26	0.57	0.14
10y FV	c.5 bp		c.-20 bp		c.-10 bp	
10y yields	c.15 bp		c.+25 bp		c.+5 bp	

Source: BofA Global Research

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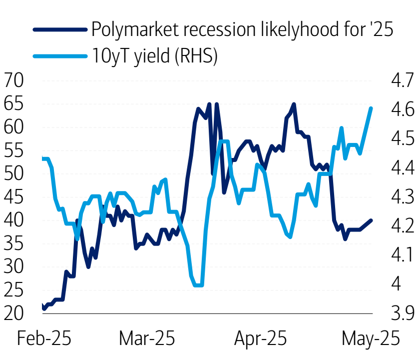
The 90-day reprieve on tariffs (particularly with China), reduced the likelihoods of the latter materially. At the same time, negative momentum in macro data peaked mid-April and has faded since, with the past week finally showing a slight positive bias (Exhibit 25). The likelihoods for both mechanisms have therefore faded recently (see Exhibit 26 & Exhibit 27), allowing for a bear steepening dynamic in US yields (Exhibit 28).

Exhibit 26: Polymarket US recession likelihoods for '25 vs 10yT yields

10yT yields selloff as recession likelihood fades



Source: BofA Global Research, Polymarket

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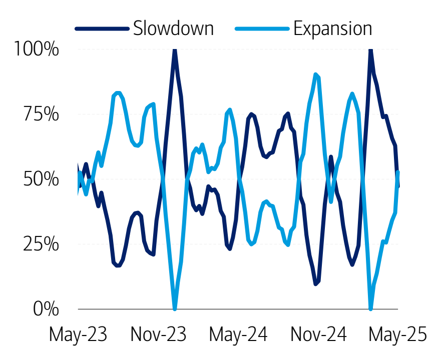
Exhibit 27: Expansion & slowdown likelihoods extracted from the dynamic of 10y BEs

Slowdown likelihood now back c.45-50%



Source: BofA Global Research

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Exhibit 28: Frequencies of different moves in the 2s10s curve dynamic

The frequency of bear steepening moves has increased recently as recession likelihood fades

	Bull-steep	Bear-flat	Bull-flat	Bear-steep
2w	8%	19%	9%	**64%**
1m	21%	25%	15%	**38%**
2m	14%	27%	14%	**45%**
3m	20%	26%	15%	**40%**

Source: BofA Global Research

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The recent rates dynamic has likely been supported also by the progress in Congress of the "Big Beautiful Bill" and the recent US sovereign downgrade. The two drivers are related as Moody's action was justified by deteriorating US fiscal dynamics, which are likely to become worse with upcoming US tax cuts (see US downgrade & US fiscal FAQ from 19 May '25). Our US economists have long expected the US annual fiscal deficit to deteriorate to 7% / GDP in FY '26 & '27 (this is far from Treasury Secretary Bessent's stated annual deficit objective of 3% / GDP). Both drivers may continue to support a near-term bear steepening bias, particularly at the backend, and vol at the right side of the grid (see Exhibit 29), even as near term uncertainty fades (see Exhibit 30).

Exhibit 29: Changes in the US volatility grid since the recent peak in recession likelihoods in early 1 May '25

Left side of the grid underperforming as Fed expectations re-anchor, right side outperforming directionally with the bear steepening

	1y	2y	3y	5y	7y	10y	30y
1m	-32	-22	-16	-12	-4	1	7
3m	-29	-19	-15	-7	-3	0	5
6m	-16	-13	-10	-5	-2	1	5
1y	-11	-9	-6	-3	-1	1	4
2y	-4	-3	-3	-1	0	2	4
3y	0	-1	0	1	2	3	4
5y	1	2	2	2	3	4	4
10y	2	3	3	3	4	2	3
15y	3	3	3	4	4	3	3
30y	3	3	3	4	4	3	3

Source: BofA Global Research

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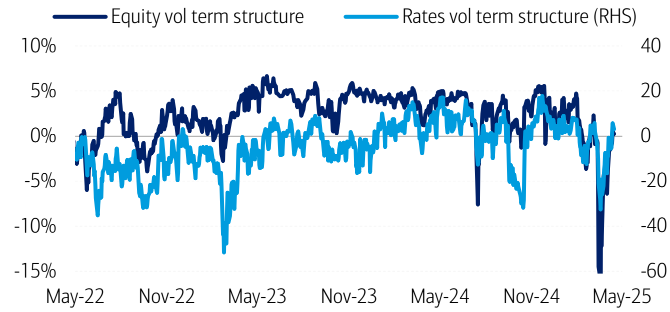
Exhibit 30: Vol term structure (1m vs 1y expiries) for US equities & 10y yields (deep inversions = regional banking crisis & "Liberation Day")

Fading uncertainty => resteepening of the term structure of volatility



Source: BofA Global Research; Bloomberg

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Positioning bias

We favor breaking down recommendations between: **Level 0** positions that reflect our duration conviction and are expressed in linear space; **Level 1** positions that hedge the key risks to the Level 0 bias structurally; and **Level 2** positions that include tail hedges and more tactical positions.

In the **Level 0**, we are cautious on dip buying at least until 10yT levels c.4.75% with expansion likelihoods priced at c.75-80% or above. In any dip buying, however, we continue to favor a mix between nominals and reals, to protect portfolios for stagflation risks (see Who's afraid of a little stagflation from 15 May '25).

In the **Level 1**, we continue to favor hedging portfolios for bear steepening risks though: (1) 1y fwd 5s30s conditional bear steepeners (currently +34bp, risk = bear flattening dynamic): (2) 10s30s steepeners (currently +6bp, risk = flattening dynamic); and (3) short 30y spreads (currently +1bp, risk = UST outperformance). We see these positions as long vol proxies' medium term)

In the **Level 2**, we continue to favor: (1) paying the Jul & Dec Fed meetings; and (2) 2s10s flatteners expressed through costless 2s10s floor ladders (see Deal or no ideal from 2 May '25). We see both positions as short vol proxies near-term.

Some of our structural hedges are exposed to scenarios where the belly leads the underperformance on the curve, driven potentially by positioning and/or the pricing of an on-hold for longer Fed. Both could drive 2y1y & 3y1y OIS rates back to c.4-4.25% levels (recent peak) & potentially an underperformance of the belly vs the wings.

To hedge these types of scenarios, we continue to favor costless payer ladders in the belly with downside breakevens above the o/n policy rate. We think it is attractive to sell the upside beyond the downside breakeven on these positions because we see the threshold for Fed policy tightening near-term relatively Costless 6m5y payer ladders (currently +4bp, risk = selloff beyond the downside breakeven with potentially unlimited downside) have indicative strikes currently atm/atm+27bp/atm+54bp, a maximum upside of 27bp in the c.3.99-4.26% range & a downside breakeven at c.4.53% (20bp above the o/n rate).

Technicals

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- Upside for US yields materialized this week, in line with our signals and patterns discussed over the last few weeks (See: Deals for yields 14 May 2025).
- The US 30Y yield rose above the 5.02% level and came close to our 5.17% target. On Thursday, it reached an intra-session high of 5.15%.
- The candle pattern formed on Thursday suggest the market is hesitating to push yield higher. While trend bias is still up, the longer yield remains below the Oct-2023 highs, the greater the potential for a double top in the larger cycle becomes.

US30Y Yield flirts with 2023 highs

Intraday market actions this week pushed US 30Y yield near the head and shoulders target of 5.17% (high as of Thursday was 5.15%). This is right near the Oct 2023 highs and a precarious point. Could the long-term cycle be developing a double top? Or just a brief hesitation before the next leg higher to 5.33% follows? Our trend and momentum indicators still have an upward bias; however, the longer yield remains below the Oct 2023 highs, the greater the potential for a large double top is to form.

Exhibit 31: US 30Y Yield – Daily Chart

Yield support: 5.02%, 4.87%. 4.64%, 4.47%, 4.30%, 4.12%, 4.00%, 3.89% | Yield resistance: 5.18%, 5.32%, 5.55%

Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Rates Alpha trade recommendations

Exhibit 32: Global Rates Trade Book - open trades

Open trades

	Open Trades	Entry Date	Entry	Target	Stop	Latest Level	Trade rationale	Risk
Europe	Receive 5y5y "real ESTR" rate	14-May-25	74	25	100	75	Real rate too far from "neutral"	Robust economic growth in the Eurozone
	Long 10y Spain vs Germany & Italy	9-May-25	25	15	31	23.5	Spain richens back on credit fly	Italian upgrade, Slow capex in Spain
	2y3y/5y5y Euro inflation steepener	2-May-25	20.0	35.0	10.0	20.3	Swift fall in inflation	Stalling disinflation
	Receive BTPei 2033-39 fwd yield	1-Apr-25	358	300	400	349	Bullish call, RV, index events	Generalized Italy cheapening
	Long EU 30y vs Netherlands	28-Mar-25	72	60	80	67	EU cheap to NL, on supply concerns	Large increase in EU bond supply
	Long 15y OAT May-42	21-Mar-25	3.84	3.5	4.05	3.80	Long duration + a tactical bullish view on FR	FR political risks, larger long end EGB supply
	Receiving 6m1y EUR vs CHF	14-Mar-25	176bp	130bp	200bp	197bp	Continued ECB easing and SNB pause	Negative SNB policy rate
	US-Euro 2y3y inflation widener	7-Mar-25	28bp	50bp	15bp	47.9bp	Inflation view; roll-down	US recessionary threat
	BTPei 2039 iota narrower	7-Mar-25	25.4	17.0	30.0	20	Index events	Heavy BTPei 2039 supply
	6m5y 1x1.5 rec	5-Feb-25	0bp	14bp	-10bp	1bp	Repricing of ECB terminal lower	Rally beyond downside breakeven
	Short 1y1y vs 1y10y vol	24-Nov-24	6.5bp	20bp	-10bp	17bp	Underperformance of left side on dovish ECB	Hawkish policy shift
	Long 30y Bunds vs Netherlands	24-Nov-24	14.5	25	8	11	Fade the cheapness of GE long-end	Change in German constitution
	Pay 1y1y Euribor-€str basis	24-Nov-24	21.5	30	17	23	Reduced liquidity, increased term funding cost	New ECB LTROs / early end to QT
	5y1y ATM-25/-100bp rec spread	8-Feb-24	25bp	60bp	0	21bp	Lower ECB terminal rate, without negative carry	Better than expected EUR data
UK	Receive fwd UKTi real rates/pay fwd TIPS real rates	14-May-25	22	-40	50	22	DMO Shortening its issuance	Poorly digested supply of long-dated supply in Gilts
	Long 30y Gilt on ASW	2-May-25	91	75	100	93.6	Expect BoE to at some point signal slower QT	UK fiscal worries
	Long UKT 0 1/8% 2028 vs. UKT 4 3/8% 2028 on ASW (on z-spd)	24-Jan-25	-29	-40	-24	-28	Retail demand for low coupon Gilt	Change in the tax treatment of Gilts for retail
	UKTi 2037/39 real curve flattener	24-Oct-24	17	9	25	24	Attractive level; low coupon value	Supply related dislocation
	UKTi 2032/36/47 barbell (+43.8%/-100%/+56.2% risk)	05-Sep-24	14.8	5.0	20.0	18	Expect forward flattening	Illiquid conditions
	Short Sonia 3s5s7s (pay 5s)	05-Sep-24	-12	10	-21	0	Mortgage paying flows	Stamp Duty tax rise at the Oct budget
	Sell UKTI 2036 v UKT 2042 on ASW	26-Jul-24	-21	-8	-28	-22.2	Historical extreme spread	Poor nominal auction demand
US	Pay Bank of Canada June OIS	21-May-25	2.675%	2.75%	2.6%	2.68%	Rising inflation and low probability of a BoC cut	Sharp data worsening or additional tariff announcement
	10s30s curve steepener	15-May-25	45bp	70bp	15bp	51bp	Increased focus on fiscal policy, higher deficit	Cuts to fiscal spending/lower projected deficits
	Pay Dec FOMC OIS	15-May-25	3.78%	4.25%	3.5%	3.83%	Fade '25 rate cuts	Fed cuts get priced back into '25
	Z5-Z6 FF curve flattener	13-May-25	-34	-70	-10	-52	Fewer cuts '25 due to trade de-escalation	Downside economic shock near term
	Pay July FOMC OIS	8-May-25	4.15%	4.3%	4.05%	4.26%	Solid data & Fed in no hurry to cut	Sharp data worsening & near-term Fed cuts
	Short 30y swap spread	30-Apr-25	-90	-110	-75	-94	Disappointment in de-regs and deficits	WAM shortening by Treasury or Fed
	18m1y vs 6m1y rec	1-May-25	0bp	30bp	-15bp	35bp	< frontloaded cuts, > backloaded cuts	>frontloaded cuts with < medium term
	6m fwd 2s10s floor ladder	1-May-25	46bp	17bp	-10bp	42bp	Underperformance of curve vs fwds	Flattening beyond the c.20bp BE
	Long 2y3y inflation	24-Apr-25	2.24	2.50	2.05	2.29	Expect above market inflation medium term	Downturn that lowers inflation compensation
	6m10y payer spreads	7-Apr-25	8.5bp	25bp	-8.5	4bp	Fed on hold, limited scope for bearish shocks	Limited to upfront premium
	6m5y payer ladder	7-Mar-25	0bp	25bp	-10bp	4bp	Repricing of Fed policy through higher	Selloff beyond downside BE
	6m1y rec spd	21-Jan-25	11bp	25bp	-11bp	11bp	Higher slowdown likelihoods	Limited to upfront premium
	Sell 1m10y vs 6m10y receiver	21-Jan-25	0bp	20bp	-10bp	-1bp	Higher slowdown likelihoods	More significant rally near vs medium term
	1y1y receiver 1x1.5	12-Dec-24	9bp	60bp	-15bp	-4bp	Hedging slowdown scenarios	Aggressive hard landing scenarios
	1y fwd 5s30s bear steepener	24-Nov-24	0bp	30bp	-15bp	34bp	Term premium build & reacceleration scenarios	Bear flattening on hawkish Fed
	1y10y payer spd vs 3m10y payer	24-Nov-24	0bp	30bp	-15bp	1bp	Higher recalibration/reacceleration likelihoods	Frontloaded sell that fades medium term
	1y1y straddles vs strangles	24-Nov-24	+0.31%	20bp str /vega	-10bp str /vega	0.284%	Long vol of vol	Lower vol of vol
	Long 5y30y vol vs 2y30y vol	24-Nov-24	+5.5bp vega	15bp vega	-10bp vega	-2bp	Vega supported bearish tail scenarios	Outperformance of intermediate vs long vega
	1y fwd 2s10s floor ladder	28-May-24	-20bp	-40bp	-60bp	21bp	Hedging hawkish fed scenarios	Unlimited downside in Inversion > -80bp
	3y1y rtr spd a/-50bp	6-Nov-23	pay 23bp	50bp	-23bp	2bp	Soft landing scenario	Capped to premium
	Long 1y10y rtp spd vs 4m10y rtp	3-Jul-24	0bp	20bp	-10bp	-6bp	Bearish election risks medium-term	Frontloaded bearish risks
APAC	Buy Dec '25 bill futures, sell YM	16-May-25	21bp	8bp	27bp	21bp	RBA likely to sound hawkish in May	RBA dovish (mis)communication
	Buy TCV 5.5% Sep 2039 vs 10y IRS	15-May-25	133bp	100bp	148bp	140bp	Fiscal convergence between AU and Victoria	Wider spreads likely in a risk-off event
	AU 6m3y receiver 1x1.5	27-Mar-25	4bp	30bp	-15bp	5bp	Dovish repricing of RBA terminal	Hawkish RBA shift
	JP 1y2y payers spd vs 1y10y payers	24-Nov-24	0bp	40bp	-15bp	-4bp	Bear flattening of the curve	Lagging BoJ & curve bear steepening
	JP 1y5y payer ladders	24-Nov-24	0bp	28bp	-10bp	3bp	Repricing of policy trough	Underperformance vs. downside b/e
	KR 1y fwd 2s10s bull steepeners	24-Nov-24	0bp	25bp	-10bp	15bp	Dovish BoK and bull steepening	Hawkish shift for BoK
	KR 1y5y receiver spd	24-Nov-24	-16bp	34bp	-15bp	28bp	Repricing of policy trough lower	Capped to upfront premium

Source: BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 33: Global Rates Trade Book - closed trades
Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
Europe	Long 5y Greece vs Portugal	19-Nov-23	42	0	65	2-May-25	12
	Receive Dec ECB €str	2-Jan-25	1.77	1.3	2.18	17-Apr-25	1.47
	EUR 3m2y payer fly	16-Jan-25	12.4	35	2	16-Apr-25	0
	Pay 10y real Sofr, rec. 10y real €str	24-Nov-24	-112	-180	-80	1-Apr-25	-75
	Pay 1y1y CHF OIS	11-Dec-24	0.06%	0.35%	-0.10%	07-Mar-25	0.29%
	6m fwd 2s10s bull flattener OTM	23-Oct-24	0	900K	-500K	07-Mar-25	11K
	BTPei 2039 breakeven long	29-Jan-25	189	220	170	07-Mar-25	198
	US 9m30y payer spd vs EUR payer	5-Feb-25	0bp	30bp	-15bp	07-Mar-25	-15bp
	Receive 5y5y "real ESTR" rate	02-Jul-24	28	-20	60	07-Mar-25	60
	Pay Mar ECB €str	23-Jan-25	2.44	2.55	2.37	07-Mar-25	2.42
	BTPei'29/'33/'39 CDN barbell	18-Oct-24	31.6	15.0	40.0	27-Feb-25	25.3
	OATei '36'/'40/'43 fly	25-Sep-24	5.5	0.0	9.0	27-Feb-25	2.6
	Sell OATei 43 vs 53 on z-spread	03-Sep-24	29	15	37	27-Feb-25	28
	3m2y payer fly	23-Oct-24	14.7bp	40bp	3bp	16-Jan-25	16.1bp
	Receive 2y1y €str	2-Dec-24	1.74	1.4	1.95	2-Jan-25	2.01
	Long 30y Bunds	03-Sep-24	2.58%	2%	2.83%	12-Dec-24	2.44%
	Received 2y1y €str	03-Sep-24	2.12%	1.7%	2.4%	2-Dec-24	1.7%
	EUR 1y fwd 2s10s OTM floor, funded US floor	19-Nov-23	-15bp	25bp	-25bp	19-Nov-24	15bp
	Receive 3y1y €str vs CAD OIS	03-Sep-24	39	80	15	21-Nov-24	86
	Long Schatz vs Bobl Euribor spreads	31-Aug-23	3	15	-8	14-Nov-24	8
	3m fwd 10s30s bull flattener	23-Oct-24	0	900K	-500K	31-Oct-24	770K
	Pay belly of 5s10s30s	24-Jun-24	23	50	10	31-Oct-24	30
	Short ATM 1y2y payer vs OTM in US	03-Sep-24	0	25bp	-15bp	23-Oct-24	25bp
	Receive belly of 2s3s5s PCA fly	02-May-24	-20	-26	-16	21-Oct-24	-14.5
	Long Schatz ASW	05-Jul-24	32.4	47	24	18-Oct-24	23
	Pay 9Mx12M EUR FX-Sofr basis	22-May-24	-6.9bp	-2bp	-10.2bp	18-Oct-24	-1.6
	1y1y/2y3y EURi steepener	26-Jul-24	3	16	-5	25-Sep-24	8
	EUR 2y 3s6s widener	19-Mar-24	8.1	14	5	12-Sep-24	4.8
	Receive 2y1y €str	19-Nov-23	2.45	1.70	2.90	03-Sep-24	2.09
	Long 6m7y OTM receiver vs 6m7y OTM payer	24-Jun-24	0	800K	-400K	07-Aug-24	800K
	Sep24 FRA-OIS widener	02-Feb-24	11.3	15	5	05-Aug-24	12.5
	1y fwd 2s10s EURi steepener	19-Jan-24	13	30	4	26-Jul-24	17
	5s10s EURi steepener	19-Nov-23	8	25	-5	26-Jul-24	12
	6m fwd 2s5s bull flattener	20-May-24	0	300K	-150K	25-Jul-24	-150K
	10s30s flattener in EUR vs US	04-Oct-23	0	40	-20	24-Jun-24	7
	Long OAT Apr29 vs BGB Jun29	25-Apr-24	8	2	11	10-Jun-24	5.9
	OATei 2029s/2053s real curve flattener	16-Apr-24	37	10	50	04-Jun-24	19
	OATei 2027s/2029s real curve steepener	9-Feb-24	7.4	18.0	2.0	04-Jun-24	-2
	Long 10y Bund vs UST	13-Feb-24	182	225	155	09-May-24	200
	Sell EUR 6m5y OTM payer to buy OTM payer in US	19-Nov-23	0	600K	-400K	18-Apr-24	110K
	Receive 2y3y €str vs SOFR	04-Oct-23	104	180	60	04-Apr-24	155
	BTP ASW 5s10s steepener	19-Nov-23	50	75	35	04-Apr-24	55
	Long DBRi 2026/short OATei 2026 on z-spread	22-Mar-24	10	-10	20	04-Apr-24	14
	3m1y ATM+25/+50 payer spd	06-Dec-23	5	15	0	23-Feb-24	15.5
	Pay Apr ECB date, receive Mar	02-Feb-24	-18	0	-28	19-Feb-24	-11
UK	Receive Nov MPC-dated Sonia	11-Apr-25	3.69	3.45	3.81	15-May-25	3.81
	Receive UKTi 2036-2042 fwd real yield	28-Feb-25	267	200	300	8-Apr-25	305
	Long G vs. WN invoice spreads	28-Feb-25	13.9	30	5	8-Apr-25	30
	Short 5y RPI	29-Jan-25	396	350	450	1-Apr-25	376
	Pay 5y real Sonia, receive 5y real €str	21-Aug-24	43	-40	90	1-Apr-25	-4
	UKTi 2052/68 yield flattener	20-Feb-24	-13	-35	0	1-Apr-25	-27
	Receive Aug MPC-dated Sonia	14-Mar-25	4.07	3.95	4.13	24-Mar-25	4.13
	Pay March MPC Sonia	7-Feb-25	4.397%	4.468%	4.357%	20-Feb-25	4.45
	1y fwd 2s10s Sonia steepener	8-Nov-24	-1	25	-15	31-Jan-25	-15
	Pay 5y real Sonia	12-Jul-24	1	60	-30	29-Jan-25	15
	Sell UKT 4.5% 2028 vs. UKT 0.5% 2029 (on z-spd)	05-Sep-24	-8	-20	4	24-Jan-24	-9.2
	Buy UKT 4 3/8 2054 vs. T 4 5/8 2054 on ASW	12-Jul-24	1.0	-15.0	10.0	31-Oct-24	2.7
	Buy UKT 5/8% 2050 vs. 4 5/8% 2034 on ASW	07-Jun-24	33.5	13.0	45.0	31-Oct-24	23.8
	Sell SFIM9 vs. SFIM6 futures	14-Jun-24	-19.5	10	-35	09-Sep-24	5
	UKTi 2032-36-42 barbell (+35%/-100%/+65%)	26-Apr-24	13.6	5	18	05-Sep-24	11.8
	UKTi '36/47 vs '34/46 fwd yield sprd	2-Feb-24	24	8	32	05-Sep-24	16
	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

Exhibit 33: Global Rates Trade Book - closed trades
Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
	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
	Long July SOFR/FF	11-Apr-25	-3.5bp	+1bp	-7bp	19-May-25	+1bp
	1y inflation swap short	10-Apr-25	3.49	2.90	3.90	12-May-25	3.12%
	Pay June FOMC OIS	2-May-25	4.18%	4.3%	4.05%	8-May-25	4.29%
	Pay July FOMC OIS	22-Apr-25	3.93%	4.15%	3.8%	2-May-25	3.99%
	Pay July FOMC OIS & receive 5Y OIS	22-Apr-25	-41bps	-80bps	-15bps	2-May-25	-60bps
	Long 30y swap spread	22-Apr-25	-94	-84	-105	1-May-25	-90
	1m fwd 2s30s bull flattener	22-Apr-25	0bp	20bp	-10bp	1-May-25	4bpr
	Short 30y swap spread	13-Mar-25	-79.5	-105	-70	22-Apr-25	-94
	2s5s30s fly	11-Apr-25	-55bp	-90bp	-35bp	22-Apr-25	-74
	Long 2y swap spread	11-Apr-25	-26	-17	-32	22-Apr-25	-27
	M6M7 SOFR curve steepener	3-Apr-25	1bp	30bp	-20	10-Apr-25	7
	Pay May'25 FOMC OIS	7-Apr-25	4.20	4.33	4.1	10-Apr-25	4.29
	3m2y receiver spd vs 3m2y payers	21-Jan-25	0bp	30bp	10bp	10 Apr 25	24bp
	TIPS 5y5y beta-breakeven long	1-Apr-25	-14	40	-50	9 Apr-25	-58
	5s30s steepener	6-Oct-23	20	90	-20	9-Apr-25	90
	2y forward, 3s28s inf steepener	4-Sept-24	0bps	30bps	-15bps	9-Apr-25	32bp
	1y4y inflation swap long	14-Nov-24	2.56	3	2.25	8-Apr-25	2.21
	Pay June FOMC OIS swap	26-Mar-25	4.15%	4.25%	4.09%	3-Apr-25	4.07%
	1y10y payer ladders	28-May-24	0bp	37bp	-20bp	27-Mar-25	5bp
	6m5y payer ladder	24-Nov-24	0bp	27bp	-15bp	27-Mar-25	7bp
	M5/Z6 flatteners	4-Feb-25	-18	-50	10	3-Mar-25	-48.5
	6m1y rtp ladders	9-Aug-24	0	25	-20	9-Feb-25	16
	Short 30y spreads (May '54)	20-Jun-24	-80	-105	-65	06-Feb-25	-80
US	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	-18b215p
	5s30s JGB curve steepener	15-May-25	198	215	189.5	21-May-25	215
	AU 2s5s flattener vs CAD 2s5s steepener	15-Apr-25	43bp	21bp	54bp	1-May-25	29bp
	10s20s JGB curve flattener	25-Mar-25	73	60	79.5	8-Apr-25	85
	Buy au 3y (YM) , pay Aug RBA	04-Mar-25	-8bp	-50bp	10bp	11-Apr-25	-16bp
	2yr fwd 2s10s OIS flatteners	19-Feb-25	40	25	47.5	4-Apr-25	39
	AU 1y1y risk reversal	24-Nov-24	0bp	40bp	-20bp	27-Mar-25	23bp
APAC	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

Exhibit 33: Global Rates Trade Book - closed trades
Closed trades

Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
AU Pay Feb '25 RBA, buy Sep futures	24-Nov-24	-23bp	-45bp	-12bp	10-Dec-24	-48bp
AU/JP: buy 5y ACGBs, sell 5y JGBs	24-Nov-24	352bp	305bp	375bp	10-Dec-24	305bp
KRW 1y5y receiver spd	5-Jun-24	15bp	25bp	-15bp	19-Nov-24	13bp
JPY 6m5y payer ladders	10-Jul-24	0bp	30bp	-15bp	19-Nov-24	6bp
JPY 6m7y payer ladders	23-Sep-24	0bp	13bp	-10bp	19-Nov-24	2bp
AUD 1y fwd 2s10s bull steepener	19-Nov-23	0bp	30bp	-25bp	19-Nov-24	-4bp
AUD 1y5y rtr spd a/-40bp	19-Nov-23	17.5bp	22.5bp	-18bp	19-Nov-24	12bp
AUD 1y5y rtr spd vs 3m5y rtr a-12bp	19-Nov-23	0bp	40bp	-25bp	19-Nov-24	-1bp
JPY 1y fwd 5s30s bear flattener	19-Nov-23	0bp	25bp	-20bp	19-Nov-24	-12bp
2s10s 6s3s steepener	12-Aug-24	-6bp	0bp	-9bp	19-Jun-24	-9bp
Pay Dec '24 RBA	20-Aug-24	4.125%p	4.34%	4.01%	17-Oct-24	4.27%
Sell Mar '25 futures, buy Dec '24 & Sep '25 futures	12-Aug-24	4bp	14bp	-1bp	20-Aug-24	0bp
1y1y/3y2y flattener	26-Jul-24	18bp	3bp	25.5bp	26-Jul-24	6.5bp
Jun24/Dec24 bills-OIS flattener	19-Jun-23	7.5bp	1.5bp	10.5bp	13-Jun-24	5bp
Receive 10y swap spreads	17-May-23	51	20	65	3-Apr-24	20
Buy ACGB 3.5% 2034 vs. UKT 0.625% 2035	13-Nov-23	18.5	-40	45	22-Feb-24	-5.1
JPY 6m10y rtp spd vs 6m2y rtp	19-Feb-24	0bp	40bp	-20bp	19-Aug-24	0bp
Swap EFP (3y/10y) box flattener	19-Nov-23	10b[s	0bps	15bps	22-Mar-24	-1
receive AU 5y5y IRS, pay US 5y5y IRS	19-Nov-23	109	0	148	21-Feb-24	99
2yr10yr TONA swap steepener	1-Feb-24	68.5	80	62.7	22-Feb-24	62.7
Feb/Mar 2024 OIS steepener	19-Nov-23	0	15	-7.5	12-Jan-24	-7.5
Pay June 2024 3m bills vs OIS	7-Nov-23	15	30	8	12-Jan-24	8
10yr/30yr TONA swap flatteners	19-Nov-23	59	49	64	19-Jan-24	64
10yr/30yr TONA swap flatteners	19-Nov-23	59	49	64	19-Jan-24	64

Source: BofA Global Research

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Global rates forecasts

Exhibit 34: 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	4.26	4.29	4.31	4.32	4.33	4.34	3.35
	2y T-Note	3.98	3.90	3.80	3.75	3.75	3.75	3.85
	5y T-Note	4.09	4.00	4.05	4.10	4.15	4.20	4.25
	10y T-Note	**4.52**	**4.35**	**4.40**	**4.50**	**4.55**	**4.60**	**4.75**
	30y T-Bond	5.04	4.75	4.80	4.90	4.95	5.00	5.10
	2y Swap	3.79	3.74	3.62	3.55	3.55	3.55	3.65
	5y Swap	3.74	3.70	3.73	3.76	3.81	3.86	3.91
	10y Swap	**3.97**	**3.90**	**3.93**	**4.01**	**4.04**	**4.07**	**4.22**
	30y Swap	4.11	3.95	3.93	4.04	4.04	4.07	4.22
Germany	3m Euribor	2.05	1.90	1.60	1.40	1.40	1.45	1.75
	2y BKO	1.83	1.70	1.60	1.65	1.85	1.95	2.15
	5y OBL	2.17	2.00	1.95	2.05	2.20	2.30	2.40
	10y DBR	**2.64**	**2.45**	**2.40**	**2.50**	**2.60**	**2.70**	**2.75**
	30y DBR	3.15	2.90	2.85	2.95	3.00	3.10	3.15
	2y Euribor Swap	2.00	1.85	1.75	1.75	1.90	2.00	2.20
	5y Euribor Swap	2.28	2.15	2.10	2.15	2.25	2.35	2.45
	10y Euribor Swap	**2.61**	**2.45**	**2.40**	**2.45**	**2.50**	**2.60**	**2.65**
	30y Euribor Swap	2.70	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	0.74	0.60	0.63	0.65	0.70	1.05	1.30
	5y JGB	1.04	0.85	0.88	0.90	0.95	1.30	1.60
	10y JGB	**1.56**	**1.35**	**1.43**	**1.50**	**1.53**	**1.60**	**1.75**
	30y JGB	3.18	2.70	2.78	2.85	2.85	2.85	2.95
	2y Swap	0.72	0.58	0.60	0.60	0.65	1.00	1.25
	5y Swap	0.93	0.75	0.78	0.78	0.80	1.15	1.45
	10y Swap	**1.30**	**1.10**	**1.13**	**1.20**	**1.23**	**1.30**	**1.45**
U.K.	3m Sonia	4.21	4.00	3.60	3.50	3.50	3.50	3.50
	2y UKT	4.03	3.70	3.60	3.60	3.60	3.60	3.65
	5y UKT	4.20	3.90	3.90	3.90	3.90	3.95	4.00
	10y UKT	**4.75**	**4.45**	**4.45**	**4.45**	**4.45**	**4.50**	**4.55**
	30y UKT	5.55	5.05	5.00	4.95	4.90	4.90	4.90
	2y Sonia Swap	3.85	3.60	3.50	3.50	3.50	3.50	3.50
	5y Sonia Swap	3.91	3.70	3.70	3.70	3.70	3.75	3.80
	10y Sonia Swap	**4.23**	**4.00**	**4.05**	**4.10**	**4.10**	**4.15**	**4.20**
Australia	3m BBSW	3.72	3.85	3.85	3.60	3.60	3.60	3.60
	2y ACGB	3.40	3.50	3.25	3.00	3.05	3.10	3.50
	5y ACGB	3.69	3.60	3.40	3.20	3.25	3.30	3.40
	10y ACGB	**4.42**	**4.05**	**3.90**	**3.75**	**3.80**	**3.85**	**4.00**
	3y Swap	3.38	3.50	3.25	3.00	3.05	3.10	3.50
	10y Swap	**4.28**	**4.05**	**3.90**	**3.75**	**3.80**	**3.85**	**4.00**
Canada	2y Govt	2.70	2.50	2.50	2.50	2.50	2.50	2.50
	5y Govt	2.97	2.65	2.70	2.75	2.80	2.85	2.95
	10y Govt	**3.37**	**3.00**	**3.05**	**3.10**	**3.15**	**3.20**	**3.30**
	2y Swap	2.55	2.37	2.37	2.37	2.37	2.37	2.37
	5y Swap	2.73	2.43	2.48	2.53	2.58	2.63	2.73
	10y Swap	**3.10**	**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 35: Common acronyms/abbreviations
This list is subject to change

Acronym/Abbreviation	Definition	Acronym/Abbreviation	Definition
ann	annualized	IT	Italy
APF	Asset Purchase Facility	NADEF	Nota Aggiornamento Documento Economia e Finanza
APP	Asset Purchase Programme	NFR	Net Financing Requirement
AS	Austria	lhs/LS	left-hand side
BdF	Banque de France (Bank of France)	MA	Moving Average
BE	Belgium	MACD	Moving average convergence/divergence
BEA	Bureau of Economic Analysis	MBM	Meeting-by-meeting
BLS	Bank Lending Survey	mom	month-on-month
BoE	Bank of England	MPC	Monetary Policy Committee
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
GE	Germany	PBoC	People's Bank of China
DMO	Debt Management Office	PEPP	Pandemic Emergency Purchase Programme
DS	Debt sustainability	P&I	Pension and Insurance
DXY	US Dollar Index	PMI	Purchasing Managers' Index
EA	Euro area	PMRR	Preferred Minimum Range of Reserves
EC	European Commission	PPF	Pension Protection Fund
ECB	European Central Bank	PRT	Pension Risk Transfer
ECJ	European Court of Justice	PSPP	Public Sector Purchase Programme
EFSF	European Financial Stability Facility	PT	Portugal
EGB	European Government Bond	QE	Quantitative Easing
EIB	European Investment Bank	qoq	quarter-on-quarter
EMOT	Economic Mood Tracker	QT	Quantitative Tightening
EP	European Parliament	RBA	Reserve Bank of Australia
SP	Spain	RBNZ	Reserve Bank of New Zealand
ESI	Economic Sentiment Indicator	rhs/RS	right-hand side
ESM	European Stability Mechanism	RPI	Retail Price Index
EU	European Union	RRF	Recovery and Resilience Facility
f	final print	RSI	Relative Strength Index
FPC	Financial Policy Committee	SA	Seasonally Adjusted
FR	France	SAFE	Survey on the access to finance of enterprises
FY	Fiscal Year	SMA	Survey of Monetary Analysts / Simple moving average
GC	Governing Council	SNB	Swiss National Bank
GDP	Gross Domestic Product	SPF	Survey of Professional Forecasters
GNI	Gross National Income	STR	Short Term Repo
GFR	Gross Financing Requirement	SURE	Support to mitigate Unemployment Risks in an Emergency
GR	Greece	TFSME	Term Funding Scheme with additional incentives for SMEs
GSB	Green Savings Bond	TLTRO	Targeted Longer-term Refinancing Operations
HICP	Harmonised Index of Consumer Prices	TPI	Transmission Protection Instrument
HMT	His Majesty's Treasury	TTF	Title Transfer Facility
IMF	International Monetary Fund	UST	US Treasury
INSEE	National Institute of Statistics and Economic Studies	WDA	Work-day Adjusted
IP	Industrial Production	yoy	year-on-year
IR	Ireland	ytd	year-to-date
IGFR	Illustrative Gross Financing Requirement	DV01	Dollar value of a one basis point change in yield
PCA	Principal Component Analysis	WAM	Weighted Average Maturity
IG	Investment Grade		

Source: BofA Global Research

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