

# Global Rates Weekly

## Flying by institute

### **The View: Shutdown interrupted**

The US will publish inflation data next week along with the UK, Canada and NZ. Strong spending could be a sign of tariff pass-through or instead a resilient consumer.

– R. Preusser

### **Rates: QT it out**

US: We hold tactical duration and curve views. We expect subdued near-dated vol due to financial repression via Fed and Treasury.

EU: We discuss the uncertainties around Dutch PF flows that kept a lid on 10s30s. We show FR and GE 2026 supply projections, stay long duration and neutral OAT-Bunds.

UK: Encouraging economic news and Budget murmurings were taken well by Gilts, while the remit arithmetic for the long-end to fiscal year-end looks favourable.

AU: AU CPI key to near-term RBA rate path but fundamentals look broadly unchanged despite rise in u-rate. We continue to recommend carry-rich curve flatteners.

JP: Superlong JGBs are still far from lifers' threshold for writedowns. Assuming MOF conducts buybacks, strategic entry = dips when JU9 and JU11 yields rise above 5%.

– M. Cabana, M. Swiber, B. Braizinha, R. Axel, S. Salim, A. Stengeryte, M. Capleton, O. Livingston, N. Stenner, T. Yamashita, S. Yamada

### **Front end: QT likely to stop at end '25 & FF cessation**

US I: Once QT ends: (1) MBS repayments likely in bills at \$10-20b/m (2) eventual Fed B/S growth likely in bills at \$15b/m

US II: Fed target rate shift from FF to repo poses risk of FF cessation, we see low likelihood but flag key risks.

EU: We forecast the Eurosystem balance sheet and excess liquidity by end-2027 at €5.6trn and €2.1trn, respectively; we stay in forward starting Euribor-€str widenings.

– M. Cabana, K. Craig, R. Man

### **Spreads: (Re)focus on refunding**

US: Further spread curve steepening will require firm WAM shortening language from November's refunding announcement.

– R. Axel

### **SSAs: French agencies**

EU: Observing risk-weights and LCR status of French agencies following Fitch's downgrade of France.

– E. Davidsson, S. Salim

### **Technical: This signal points to US 30y yield lower in Q4**

A key moving average cross may happen soon. It would suggest the US30Y yield is lower in 15-45 trading days w/emphasis on 35-40 trading days (Late Nov-early Dec).

– P. Ciana

17 October 2025

Rates Research  
Global

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# Our medium term views

## Exhibit 1: Our medium-term views

### Global views

#### Rationale

Duration	<ul style="list-style-type: none"> <li>US: underweight, esp the front end. Pay April '26 FOMC OIS; April priced below end '26 median Fed dot with a cautious cutting cycle</li> <li>EU: We are long 10y Bunds and received 10y5y €str. We expect lower rates (terminal Depo of 1.5). We expect 10y Bund yields to decline below 2.5% in 2H25, before selling off to 2.70% in 2026.</li> <li>UK: We are broadly neutral Sonia relative to the forwards in the 10y, forecasting Sonia at 4.15% by end-2025 and 4.25% by end-2026. We are constructive Gilts tactically.</li> <li>JP: We expect the 10yr JGB yields to rise to 1.65% at end-2025. Lingering supply-demand concerns.</li> <li>AU: we recommend carry-rich flatteners because the range of outcomes for the RBA is narrow. We like paying 6m1y, receiving 1y5y swaps.</li> </ul>
Front end	<ul style="list-style-type: none"> <li>US: long Jan SOFR/FF. Fed funds is moving higher in range. Fed QT stop (expected end '25) should see MBS repayments shifted to bills, lowering repo</li> <li>EU: Bank demand for excess liquidity may outstrip supply: Euribor-€str widening, repo to stay cheap vs €str. Receive Mar26 €str on more cuts to come.</li> <li>UK: Future BoE cuts are likely delayed, but we continue to see Bank Rate cuts priced by YE as akin to a cheap "out-of-the-money option". We receive Dec MPC-dated Sonia.</li> <li>JP: We believe the next rate hike will be delivered in January 2026. TONA is likely to remain slightly below IOER in 2025.</li> <li>AU: We recommend 1y1y BOB steepeners – funding markets to tighten as RBA drains liquidity.</li> </ul>
Curve	<ul style="list-style-type: none"> <li>US: 2s10s flatteners on fundamentals and front end SOFR H6/H7 flattener on the back of our less aggressive Fed cuts expectation</li> <li>EU: given the more hawkish ECB reaction function, we see potential for the EUR 2s10s curve to come under flattening pressure in 2H25. Further out, we believe the 10y-30y bond curve can be resilient but look for a shift in P&amp;I receiving to shorter maturities, leading to additional steepening in 10s30s swaps from year-end.</li> <li>UK: By value, BoE's active Gilt sales will increase in short and medium Gilts but not in longs, reinforcing our long-end flattening bias. Pay 10y Sonia v. 30y Gilt long</li> <li>JP: We think the 5s30s curve could steepen again due to a lack of demand and potential for the Japanese government to draw up a supplementary budget.</li> <li>AU: We see flatter curves, outright and vs US. RBA to deliver fewer cuts than market pricing.</li> </ul>
Inflation	<ul style="list-style-type: none"> <li>US: long 10Y B/E inflation as hedge for loss of Fed independence; 1y10y inflation swap steepener on compression in near term inflation risk &amp; more risk of persistence</li> <li>EU: We favor receiving 10y5y real €str and 2y3y/5y5y inflation curve steepeners. We also recommend shorting OATei 2047s vs BTPei 2056s on iota.</li> <li>UK: We would receive forward real yield between UKTi 2035 and UKTi 2049, vs paying equivalent forward in TIPS. Be long UKTi 2027s on z-spread, expecting bank demand.</li> <li>JP: Food inflation which has been the main driver of CPI is expected to slow. Thus, 10yBEI is unlikely to rise further in the near-term.</li> </ul>
Spreads	<ul style="list-style-type: none"> <li>US: Treasuries are cheap historically and post-April tariff announcements. UST swap spreads offer value over MBS, IG, and HY.</li> <li>EU: the periphery has been resilient as investors focused on the improved medium to long term EZ growth outlook, but are cautious near term given complacency around the trade war with the US, and richness to equity &amp; vol. We expect mild tightening pressure on 5-10y German swap spreads.</li> <li>UK: We continue to see scope for some 30y Gilt performance ahead and stay long 30y Gilts on ASW.</li> <li>JP: Given (1) the fiscal risk and (2) Boj's QT, JGBs are likely to be cheaper vs matched maturity swaps.</li> <li>AU: We see wider swap spreads, especially in the front end. We like tighter semi ASW and semi-ACGB spreads in the long end.</li> </ul>
Vol	<ul style="list-style-type: none"> <li>US: Vol targets. 2H25 targets: 1y10y 80-95bp; left underperformance vs right, 1y10y vs 1m10y spread fair c.5bp (±5bp). Long fwd vol bias.</li> <li>EU: We expect implied vols to come lower with 1y10y around 70bp range and LHS cheapening vs RHS.</li> <li>AU: Vol bias continues to be lower and directionally skewed towards receivers. Less scope for left to underperform vs right.</li> </ul>

Source: BofA Global Research

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# Our key forecasts

## Exhibit 2: Our key forecasts

### Global forecasts

% EoP	2023	2024	YE 25	Q1 26	Q2 26	Q3 26	YE 26	YE 27
Fed Funds	5.25-5.50	4.25-4.50	3.75-4.00	3.75-4.00	3.50-3.75	3.25-3.50	3.00-3.25	3.00-3.25
10-year Treasuries	3.88	4.57	4.00	4.05	4.10	4.15	4.25	4.25
ECB refi rate	4.50	3.15	2.15	1.65	1.65	1.65	1.65	2.15
10y Bunds	2.02	2.36	2.50	2.50	2.60	2.65	2.70	2.90
Boj	-0.10	0.25	0.50	0.75	0.75	1.00	1.00	1.50
10y JGBs	0.61	1.09	1.65	1.75	1.80	1.90	2.00	2.25
BoE base rate	5.25	4.75	4.00	3.75	3.50	3.50	3.50	3.50
10y Gilts	3.53	4.56	4.80	4.85	4.85	4.90	5.00	5.10
RBA cash rate	4.35	4.35	3.35	3.35	3.35	3.35	3.35	3.60
10y ACGBs	3.96	4.36	4.15	4.20	4.25	4.25	4.40	4.40

Source: BofA Global Research

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# What we like right now

## Exhibit 3: What we like right now

### Global views

AMRS : Tactically underweight front end (pay Apr '26 FOMC OIS), SOFR H6/H7 flattener, 2s10s flattener, long 10y BE, long fwd vol, long Jan '26 SOFR/FF

EMEA : We are long 10y Bunds, received 10y5y €str (nominal and real space), received Mar26 €str, and in 6m fwd 2s10s floor ladders.

APAC: Pay 6m1y, receive 1y5y swaps. Spreads: pay 1y1y bills-OIS basis (BOB), buy TCV 5.5% Sep-2039 vs 10y AU swap., pay 3y swap EFP

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

Next week feels like coiling a spring ahead of a very important central bank week (w/c 27 Oct) and an important week for trade, starting with the APEC summit on 31 Oct, especially against the backdrop of the US government shutdown entering its third week.

Inflation data across countries may provide some relief for investors craving a spot check on the state of the global economy, particularly since the BLS has recalled workers to provide the (delayed) September CPI print on 24 Oct. Consensus is looking for an unchanged core print (both MoM and YoY) and an increase in the YoY headline rate to above 3.0%.

The number is very interesting in the context of the latest BAC aggregated credit and debit card data (see [BofA on USA 16 Oct 25](#)) which saw spending surge in nominal terms. The conclusion therefore has to be that either the consumer is very strong, or we are beginning to see significant tariff pass through. Neither conclusion makes the Fed's job any easier. We remain short the front-end and in tactical 2s10s flatteners against a structurally bullish bias in breakevens.

Beyond the US, we will also see inflation data published in the UK, Canada and New Zealand next week. UK inflation data will likely take a backseat given consistent inflation stickiness messaging from the MPC and on-going budget ruminations. We continue to expect the RPI 1s2s curve to flatten and view the stickiness issue as being perfectly priced in that part of the UK curve.

Our economists no longer expect the BoC to cut at the end of the month following last week's strong labour market report (see [Canada Watch 10 Oct 25](#)). A robust print could shift the needle towards pricing in less than the 50% chance of a cut currently still reflected in forwards.

Finally, in the Euro Area the focus will be on soft data and the Moody's rating decision on France. For France, the focus will be on implications for French agencies (see SSAs – EU) and any outlook changes for Moody's (see Rates – EU).

## The week that was

The main event of last week was Friday's escalation of trade tensions between the US and China (see [Global Watch 12 Oct 25](#)). This serves as a useful reminder that trade policy uncertainty will remain elevated, supported our bullish bias in EUR rates and challenged front-end short in US rates.

In the absence of US data releases, the BofA Institute updates provide valuable updates on the state of the US labor market (see [The Institute Employment Report 6 Oct 2025](#)) as well as the state of the US consumer (see above). While the Institute data does point to slowing employment growth, it also shows continued pay growth acceleration, again pointing to the balancing act the Fed has to engage in.

The French government continues in its Schrodinger existence and has survived a confidence vote. We stay comfortable with our expectation of a 75-80 bp trading range in the current political situation (see [Euro Area Watch 9 Oct 25](#)).



# Rates – US

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- We hold tactical short & curve flattener views on resilient consumer data.
- We expect subdued near-dated vol due to financial repression via Fed & Treasury.

## QT it out

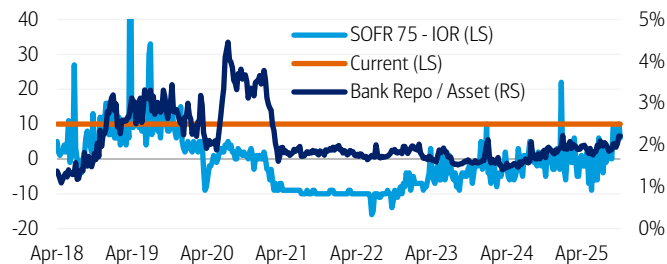
Since our last weekly, US rates declined & the belly outperformed with a resurgence of US-China trade tensions. Our base case is that the resurgence in trade tensions reflects tit-for-tat positioning ahead of the expected Trump-Xi meeting later this month. We expect the elevated trade restrictions to be avoided but further escalation is a risk. For more detail see: [US vs China: Another brick in the wall.](#)

Beyond trade tensions, the ongoing shutdown continues to require us to use BofA data to gauge broader economic activity. We continue to see a resilient / strengthening consumer (see [BofA on USA](#)). BofA data also continues to reflect a hiring slowdown but increased wage pressures; a combination that likely reflects reduced labor supply vs soft labor demand (see [BofA Institute's Employment Report: Sept 2025](#)). If these signals are representative, they support our tactical near-term duration & curve views, including = **duration**: underweight, paid April '26 FOMC OIS; **curve**: 2s10s flattener. Our other views = **inflation**: 1y10y inflation swap steepener, long 10y B/E; **spreads**: constructive front end; **vol**: vol surface steepener; **front end**: long Jan '26 SOFR/FF. In the medium term we still expect Fed independence to result in a lower cutting trough & steeper curve vs market pricing but expect the market to trade this theme later in '25 / '26.

Elsewhere in rates, focus this week was on Fed speak that signaled (1) Oct rate cut (2) QT stop in "coming months". We discuss Fed QT & US rate vol in greater detail below.

### Exhibit 4: Large domestic bank repo to asset ratios (%) and SOFR 75<sup>th</sup> pctl – IORB spread (bps)

The current spread between SOFR 75<sup>th</sup> pctl to IORB would historically imply higher bank lending in repo

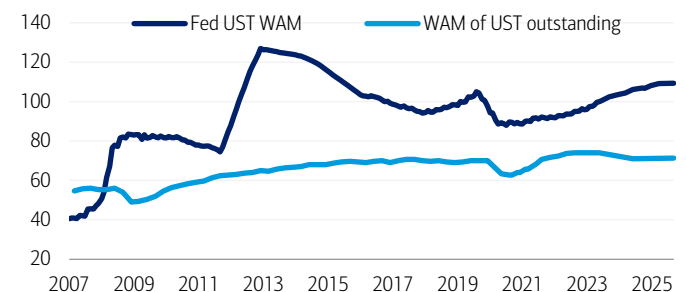


Source: BofA Global Research, Bloomberg

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### Exhibit 5: WAM of UST outstanding and Fed UST holdings (months)

Fed's UST holdings WAM are overweight long-term & underweight short-term vs the composition of total UST debt outstanding



Source: BofA Global Research, Bloomberg

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## Fed QT: may end in "coming months"

This week Chair Powell delivered a lengthy balance sheet speech & suggested QT could end in "coming months". Fed Gov Miran also said he didn't "know what benefit of more balance sheet runoff is". We interpret these comments to mean Fed B/S discussion at Oct FOMC & YE25 QT stop, in-line with our long-standing expectation. Risk is to an Oct FOMC QT end given recent Fed speak and greater-than-expected funding pressure MTD.

Money markets are clearly signaling the Fed B/S is likely near the target of "ample reserves". This can be seen via more SOFR & TGCR trading above IORB + recent upward



pressure on fed funds. Indeed, this week saw a spike in repo around mid-month settlements and \$8b of Fed SRF use. These funding pressures should support a QT stop soon. We believe pressures are now emerging because: (1) excess ON RRP cash drained (2) banks prefer to keep cash with Fed at IOR vs lending in GC (Exhibit 4).

QT cessation matters because it will likely trigger a shift in Fed B/S composition & WAM. These changes will help better anchor money markets in the Fed target range. Specifically, Fed QT end will: (1) shift MBS repays into UST, likely bills, at a pace of \$10-20b/m (2) allow for higher Fed B/S to offset liability growth (i.e. currency & reserves), likely into bills, at pace of \$15b/m (we expect this starts in March '26). This could provide ~\$30b/m of Fed bill buying. Bill buying would also facilitate a shortening of Fed SOMA UST WAM, which has been supported by Gov Waller & Pres Logan (Exhibit 5).

Fed QT end & future B/S growth are positive for USTs, esp bills & front end. Fed actions in line with our base case would help contain UST GC & SOFR. This should support our Jan SOFR/FF widener (current: -7bps). Risk is longer QT period or push towards scarce reserve regime under a new Fed Chair. For more detail see: Front end – US I

### Financial repression & subdued rate vol

Fed bill buying will help facilitate UST WAM shortening. The Nov Treasury refunding materials will likely flag long end supply / demand issues & advocate for shorter tenor issuance. We look for the questionnaire released at noon today to inquire about higher bill issuance and/ or UST demand shifts. We believe shifts in US issuance expectations have helped keep US rate vol low. Low US rate vol has supported low vol across markets.

US rate vol has recently reached levels last seen in late '21, prior to Fed hikes. US rate vol appears low in relation to the existing level of rates (Exhibit 6) and other measures of economic uncertainty. We believe rate vol is low primarily due to 2 key factors: (1) near zero risk of near-term Fed rate hikes (2) expected UST issuance shifts & supportive Fed balance sheet. In other words, financial repression supports low rate vol.

#### Exhibit 6: 1y10y vol vs 1y10y fwd

Breakdown of directionality of vol with fwds recently with 1y10y vol at the bottom of the expected 80-95bp range for 2H25

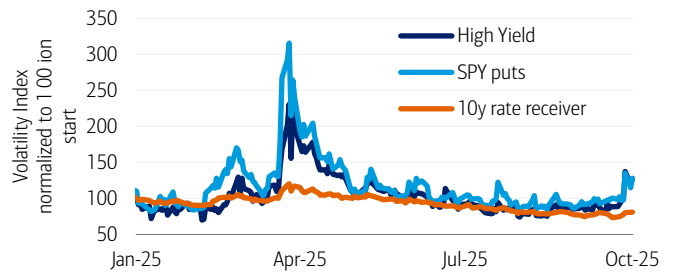


Source: BofA Global Research, Bloomberg

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#### Exhibit 7: Downside protection has spiked for HY and S&P recently, but not for rate vol

We think Fed cuts would follow any material downturn in credit conditions



Source: BofA Global Research, Bloomberg. Note: BBG tickers shown are HYG US 3M 25DP VOL, SPY US 1M 25DP VOL, USSNOC10 BVOL

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Both factors will likely continue to support subdued near-term rate vol but we expect a wider range of medium-term outcomes. The 2 biggest risks: (1) persistently elevated inflation (2) return of US fiscal concerns, especially around IEEPA ruling. Less likely: sustained escalation of US-China trade tensions could increase US rate vol.

As long as US rate vol remains subdued, we expect the market to continue chasing carry. We have a long forward vol bias (short vol near term & long vol medium term). Subdued rate vol is a cheap option for low-rate protection in rates (Exhibit 7).

**Bottom line:** we hold tactical duration & curve views, including paid April '26 FOMC OIS & 2s10s flatteners. BAC card data suggests a resilient consumer & better than expected labor market. Fed B/S communications reflect our expectations for QT stop at end '25, which will be supportive for the US front end. We expect subdued near-dated vol due to financial repression via Fed & Treasury; vol in medium term should remain supported.



# Rates – EU

**Sphia Salim**

MLI (UK)

- 10s30s traded rangebound recently. We think this can persist near-term given PF uncertainties but we forecast a steeper 10s30s by year-end on ECB cut & PF flows.
- OAT issuance plans and German budgetary documents put focus on supply. We stay long duration and continue to see 10y OAT-Bunds in 75-80bp range near term.

## 10s30s: uncertainty leads to more cautious approach

10s30s has been trading in a tight range for more than a month now, having flattened meaningful in mid-Sep. Weaker data, combined with an ECB that maintains a hawkish bias, have supported a flattening in 2s10s that can have in turn kept 10s30s in check. However, with 10s30s now trading fair vs 2s10s and vol (while it was trading with a positive residual in early Sep), we could argue that the lack of steepening relates to uncertainty on Dutch PF flows. In fact, the daily vol in 10s30s is still high and linked to PF headlines. There are 3 main sources of uncertainty on timing & size of flows:

- (1) Some funds planning to switch on 1-Jan-26 may have to postpone. It is around the time Detailhandel (in top 10 funds) announced it will delay its switch that 10s30s flattened in Sep ([European Rates Watch, 16-Sep](#)). Out of the 33 funds planning a switch on 1-Jan-26 or, for a few, in Jan-Jun, only 7 received the DNB's green light. The surge in PFs' funding levels could, counterintuitively, complicate the approval process, as some funds may not have detailed in their implementation plans how the pot would be split at such high coverage ratios. But DNB approval is not the only hurdle. IT & admin issues can also result in delays as was seen for a fund this week.
- (2) Swaps flows can be spread out. The mention in a press report that Bpf Bouw had already adjusted its portfolio created a bout of flattening. This is a red herring however, as the fund was a special case, requiring additional receiving to prepare for the new system, as opposed to net paying. Paying flows can still certainly spread in the months that follow the switch, reducing the pressure around Dec-Jan. On the other hand, high funding levels could prompt some PFs to think about reducing their rate hedges early and bringing forward the paying, but price action in the past two weeks (risk-off episodes & renewed trade uncertainty) shows it is a risky proposal.
- (3) Calculation of paying needs vs market pre-positioning. As shown in [Liquid Insight, 16-Jul](#), there are many factors that affect paying needs. The focus has recently been on the increased funding levels of PFs. Because part of it is thanks to higher asset prices, it can reduce paying needs: the exposure to risk free rates in the new system is a portion of the assets' value. If the later rises, the required DV01 exposure also rises. Using individual funding levels as of end of Aug-25 for all PFs planning a Jan-26 switch, we update our estimate for related net paying needs across the curve to €50-140m/01. The large range is due to life cycle choices not being known for all.

## Bunds and OATs

### 2026 issuance projections: beyond the noise

For France, beyond the political noise, this week saw the release of the Tresor's initial funding plan for 2026 (Exhibit 8). It was based on the draft budget submitted by the govt. An updated and more detailed version will be released in December.

The Tresor pencils in a €10bn increase in gross bond issuance net of buyback vs 2025. We would expect this target to be little affected by changes the parliament will make to the draft budget. Indeed, any increase in deficit from the current 4.7% plan, towards the 5% limit might not affect the central govt deficit. If it does, it could be compensated for by higher reliance on bill issuance. Also, the amount of redemptions in 2026 that will need to be refinanced may decline from this initial plan if buybacks increase in 4Q25.



For Germany, Bunds appeared to have underperformed on Thursday after the release of the 2026 German Draft Budgetary plan on the European Commission website. The document shows a general government deficit figure of 4.75% of GDP for 2026, when including the extra spending for defence (allowed by the new fiscal rules).

#### Exhibit 8: French state initial funding plan for 2026

The Tresor plans a €10bn increase in gross bond supply (net of buybacks, which tend to amount to €20-40bn per year). This would correspond to a c.€2bn increase vs 2025, after netting also for redemptions.

	2025	2026
Deficit	131	124
Bond redemptions	168	176
Other financing needs	-1	6
<b>Total Needs</b>	<b>298</b>	<b>306</b>
<b>Gross bond issuance, net of buybacks</b>	<b>300</b>	<b>310</b>
Net bill issuance	6	-2
Other financing sources	-8	-2
-> change in gross bond supply, net of buybacks: 2026 vs 2025		+10
-> change in bond supply net of redemptions & buybacks		+2

Source: Agence France Tresor, BofA Global Research

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#### Exhibit 9: BofA est. for German gross bond supply in 2026

Assuming also 1/3 of remaining gross funding needs are covered by bills, we estimate that net bond supply can rise by c.€20-40bn in 2026.

	2026 (low)	2026 (high)
Deficit	90	
Special funds: defence	26	
Special funds: infrastructure	59	
Redemption: bonds	219	
Redemption: bills (BofA est)	154	
<b>Total needs</b>	<b>548</b>	
Other funding sources (pre-funding, deposits, repo, money from FMS/WSF/ITF)	40	5
<b>Remaining needs in bonds &amp; bills</b>	<b>508</b>	<b>543</b>
Gross bill supply (1/3 of total)	169	181
<b>Gross bond supply</b>	<b>338</b>	<b>362</b>
-> change in gross bond supply vs 2025	48	71
-> change in bond supply net of redemptions	20	43

Source: German Finanzagentur, BofA Global Research.

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While this deficit figure may have surprised, we don't take it at face value: (1) it is based on the April growth forecasts for 2025-26 (new Autumn forecasts would imply a lower deficit, as noted in the document) and (2) the plan is based on the draft 2026 budget that was submitted to parliament in Aug. Thus, when it comes to 2026 Bund issuance, we believe that there is no new information that would challenge the forecasts we had derived in Sep (c. €340-360bn of bond supply: a €50-70bn increase vs 2025 in gross terms & €20-40bn increase net of redemptions – Exhibit 9 & [European Rates Watch](#)).

#### Duration and spreads: stay the course

We remain long duration for now, despite clear market concerns around bond supply in 2026. Our view remains that the macro drivers are likely to dominate price action near term and support lower rates in the belly of the curve. We are long 10y Bunds (see [Buy Bunds 2-Sep-25](#)), targeting 2.4% with stop at 3.05% (current: 2.57%) & received 10y5y nominal and real €str (current: 3.18% and 96bp resp.). The main risk to all three trades is a string of upside data surprises globally.

For OAT-Bunds, last week we argued that the base case scenario of a centre-left compromise (paving the way for budgetary negotiations), would take the 10y OAT-Bund spread back into the 75-80bp range. We are now around the middle of that range. The absence of new specific deadlines near-term (beyond year-end for a budget to be passed) could help the spread tighten to the bottom of the range, or even towards 70bp all else equal. But we continue to think that it will be hard to go further towards 70bp, as the parliamentary debate is likely to be heated, with challenges to pass the different components of the budget. Also, the global context, prone to risk-off moves, can reduce the appetite for carry that has been supporting EGB spreads throughout the summer.

3 idiosyncratic factors can take the spread towards 90bp again:

- (1) negative rating actions (a potential negative outlook by Moody's on 24-Oct or downgrade by S&P on 28-Nov). The suspension of the pension reform over 2026-27 adds to those risks if agencies see it as a sign of reduced ability to conduct reforms.
- (2) A breakdown of the parliamentary process with a vote of censure leading to the collapse of the government and new elections. If it were to happen, this would likely take some time to unfold, but it could push the spread above 90bp.
- (3) A resignation of Macron. We argued that it was very unlikely. It has become even more so, with the parliament now given greater control over the budgetary process.



# Rates – UK

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- Encouraging economic news and Budget murmurings were taken well by Gilts, while the remit arithmetic for the long-end to fiscal year-end looks favourable.

## Autumn sunshine warms Gilts

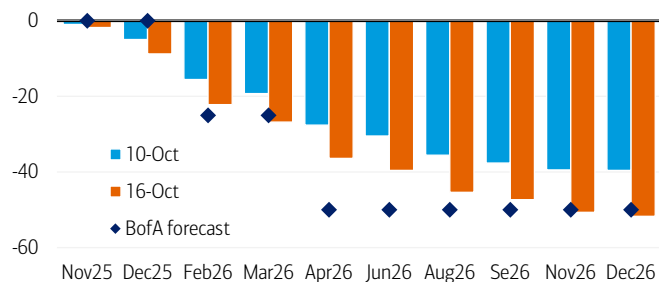
Front-end Sonia staged a turnaround after the labour market data, pricing in an additional 12bp of Bank Rate cuts by end-2026 (Exhibit 10). The data painted a labour market which is continuing to cool, with the worst of the payroll reductions related to April's National Insurance Contributions (NICs) increase now seemingly in the past.

The BoE's Taylor's remarks on the same day lived up to his dovish billing while Bailey gave a nod to weakening jobs market data on Wednesday, with the usual caveat of inflation caution. Thursday's GDP showed the economy slowing down after a strong start to 2025, with Budget uncertainty likely weighing on consumption and investment activity. Catherine Mann stuck to her line of needing restriction to control inflation.

Further out, Gilts outperformed Bunds and USTs this week, with 10y performing the most, both outright and cross-market (Exhibit 11). In addition to the front-end influencing the curve further out, the Chancellor's comments – on looking at taxes and spending, to not increase inflationary pressures – and media reports of a potential boost to fiscal headroom were also supportive of the UK rates market.

### Exhibit 10: Front-end Sonia staged a decent turnaround this week, pricing in an additional 12bp of Bank Rate cuts by end-2026

Sonia-implied Bank Rate cut pricing and BofA forecasts (bp)

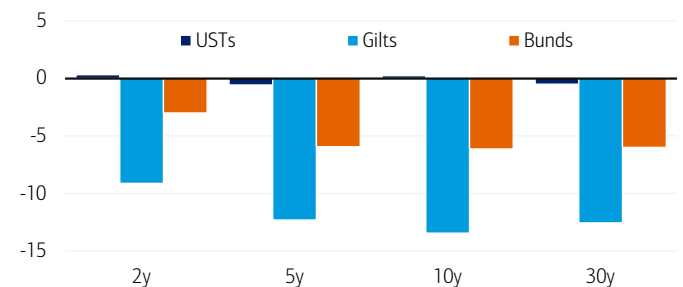


Source: Bloomberg, BofA Global Research

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### Exhibit 11: Gilts outperformed Bunds and USTs this week, with nearly 15bp rally in 10y performing the most outright and cross-market

UST, Gilt and Bund yield changes since 3 October, bp



Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Tuesday's Indexed Long-Term Repo (ILTR) saw the largest post-pandemic weekly take up of £6.34bn, beating the £5.09bn take-up seen at this September's month-/quarter-end. Most was allotted against level A collateral (£5.769bn) with some take-up against level B (£0.25bn) and level C (£0.33bn). Total ILTR outstanding now stands at around £45bn after this week's operation, around 35% of the total BoE repo (Exhibit 12).

Reasons behind the ILTR take-up likely a combination of (1) potential Term Funding Scheme with additional incentives for SMEs (TFSME) reserve drain, and (2) operation maturity now taking dealers over the year end, unlike the STR, and (3) market economics, with repo trading around 8bp over Sonia this week (Exhibit 13).

### Focus next week: inflation, CGNCR data & the last long-end supply of 2025

Inflation data will be important given the consistent Monetary Policy Committee (MPC) focus on stickiness and the on-going budget ruminations, including on inflationary impact. Our economists expect inflation to rise from 3.8% to 3.9% (10bps below the BoE's forecast) in September and services inflation to rise from 4.7% to 4.9%. We continue to hold onto our receive December MPC-dated Sonia trade as a cheap "out-of-the-money option", but the release risks undoing some of this week's progress:



- We **continue receiving December MPC-dated Sonia** entered at 3.88% on 5 September (see Rates – UK section of [Game, Sep, match](#) (see report)) with a target of 3.72% and a stop of 3.96%. Current is 3.87% (risk: Sonia drift higher).

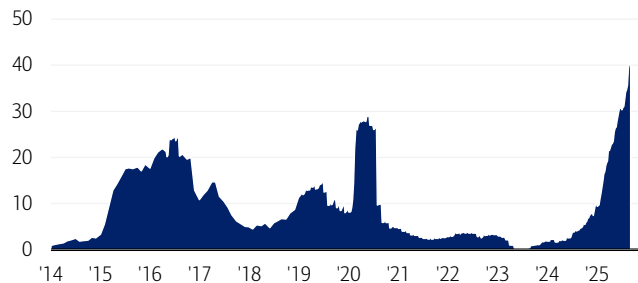
Tuesday's public sector finance data release will shed light on Central Government Net Cash Requirement (CGNCR) progress relative to the Office for Budget Responsibility's (OBR) forecast. We maintain guardedly optimistic in the face of around £10bn slippage as of August, seeing the Debt Management Office (DMO) as well positioned to navigate the Budget (see our take on what this week's syndication implies for the Remit below).

Next week's £1.5bn auction 1.5% Green Gilt 2053 will also be the last long-end auction in 2025 and should benefit our constructive long-end stance:

- We **keep long 30y Gilt on ASW** (using UKT 4.375% 2054) with a target of 75bp (monitored on z-spread basis) and a stop of 100bp (we entered the trade on 2 May at 91bp: for more see [On the lookout for slower QT hints](#)). Current: 92bp. Risk to the trade is material fiscal slippage against deficit objective.
- We **keep pay 10y Sonia versus long 30y Gilts** (using 30y benchmark UKT 4.375% 2054) entered on 19 September at 139bp targeting 120bp with a stop of 155bp (see our report [United Fedlines](#) for more). Current: 134bp. Risk to the trade is sharp curve steepening on the back of fiscal worries

#### Exhibit 12: Total ILTR outstanding stands at around £45bn after this week's large £6.34bn operation

BoE ILTR outstanding, £bn

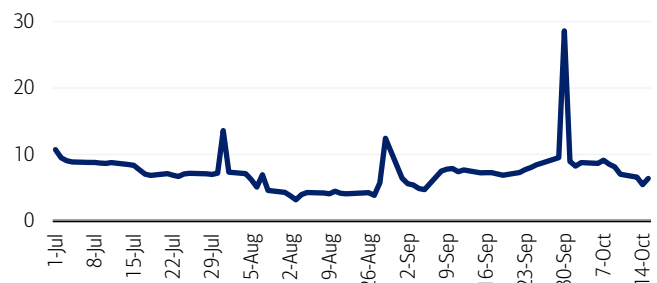


Source: Bank of England, BofA Global Research

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#### Exhibit 13: GBP RFR trading some 8bp over Sonia post-September month- and quarter-end widening

GBP RFR spread to Sonia, bp



Source: BofA Global Research, Bloomberg, CME Group

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#### UKT 5.25% 2041 launch: beginning of an end?

The DMO raised £9.1bn (cash) in this week's launch of UKT 5.25% 2041, exceeding the current long-end Gilt syndication allocation. As we wrote last week (see Rates – UK section of [A tale of two premiers, 10 October](#)), assuming no material further slippage in the CGNCR this leaves the DMO well placed to navigate the Autumn Budget.

In particular, the DMO can choose to reopen the same Gilt via syndication in January 2026 as a long-dated Gilt still and potentially cancel some, if not all, of the 1Q26 long Gilt auctions. Alternatively, the DMO can cancel the syndication, but keep the auctions. In either scenario, communication on the long-end "bucket" weighted average maturity (WAM) target - a strong signal of the DMO's commitment to managing down the Gilt supply WAM - would be market-positive and support our constructive long-end bias.

We remain of view that T-bills are an efficient way to accommodate in-year Remit changes and could at least partially alleviate CGNCR spillover so late in the financial year. Any communication on T-bill market development on 26 November would also be well received by the market, we think.

# Rates – AU

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Merrill Lynch (Australia)

**Nick Stenner, CFA**  
Merrill Lynch (Australia)

**Johnny Liu, CFA**  
Merrill Lynch (Australia)

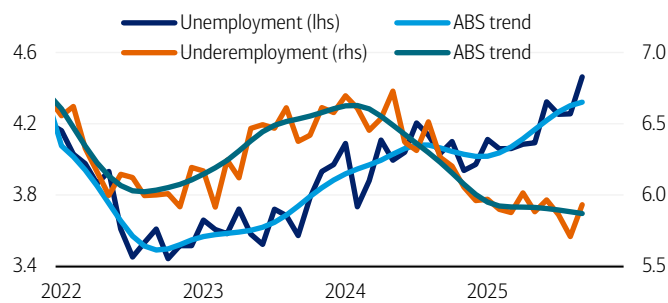
- Although AU jobs was weak, one print does not make a trend and cyclical indicators suggest limited scope for further RBA easing over the next 12 months.
- We recommend carry-rich curve flatteners: paying 6m1y swaps, receiving 1y5y swaps.

## Unemployment jumps to 4.5%, highest since Nov 2021

The labour market was weaker than expected in September, but monthly data are noisy and underlying trends suggest tight labour market conditions. The unemployment rate rose from 4.3% to 4.5% (4.46% unrounded), against expectations employment would rise (20k projection). Yet the unemployment rate is likely below the NAIRU (BofAe 4.3-4.5%), while employment growth is consistent with our estimated breakeven rate given lower population growth. Forward-looking indicators suggest the labour market will remain tight overall (Exhibit 15).

### Exhibit 14: Unemployment trends higher while underemployment suggests tightening conditions

Unemployment and underemployment rates (SA and trend, %)

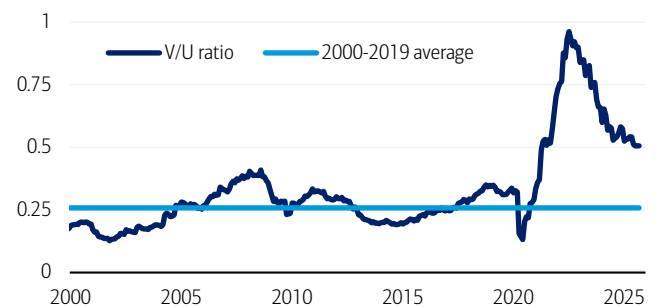


Source: BofA Global Research, ABS

BofA GLOBAL RESEARCH

### Exhibit 15: Elevated v/u ratio suggests the labour market remains tight

Labour market tightness (vacancies to unemployment ratio, 2000-25)



Source: BofA Global Research, ABS

BofA GLOBAL RESEARCH

## RBA: Expect 25bp cut in Nov, but it's a close call

We expect the RBA will cut by 25bps on Nov 4, but it's a close call that hinges on the 3Q CPI and RBA's revised forecasts. CPI for 3Q (due Oct 29) should show broad-based inflationary pressure with q/q trimmed mean annualizing above the RBA's target band, with the upside surprise driven by persistent CPI components that signal risks to the medium-term inflation outlook. While the labour market was surprisingly weak in Sept, monthly data are noisy and prone to revision, so the 3Q CPI will be the deciding factor.

## Fundamentals unchanged: buy carry-rich flatteners

In our view, the market's exaggerated reaction to today's print was a function of positioning, particularly in FX where AUD/NZD fell quite sharply. Although a RBA cut in November now looks more likely than not (notwithstanding the possibility of a high CPI print), one observation does not make a trend and cyclical indicators suggest limited scope for further RBA easing over the next 12 months.

Given such a narrow range for the path of future policy rates, we continue to like carry-rich flatteners (paying 6m1y (q/q), receiving 1y5y (s/s) swaps). Current levels are only just above our entry (62.7bps vs 62bps). Our stop is 74bps and our target is 38bps. Risk: weaker-than-expected CPI on 29 October.



# Rates – JP

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- Despite growing concerns about fiscal expansion, we think superlong JGBs are still far from lifers' threshold for writedowns.
- Assuming MOF buybacks are likely, a strategic entry point would be on dips when the JU9 and JU11 yields rise above 5%.

This is an excerpt from [Liquid Insight, 14 October 2025](#)

## Superlong JGBs still far from writedown levels

Superlong JGB yields are rising on concerns about procyclical fiscal policy. This is driving investor concerns about whether Japanese lifers' superlong JGB holdings have reached their threshold for writedowns and whether they could cut losses in the near future. While we see a relatively high risk of writedowns on some off-the-run 40yr issues such as JU9 and JU11, we think substantial writedowns or loss-cutting on superlong JGBs in general is unlikely in the near future.

Assuming that the Ministry of Finance (MOF) may buy back superlong JGBs in the near future, a tactically favorable entry point to buy JU9 (nominal coupon 0.4%, redemption 20 March 2056) and JU11 (0.8%, 20 March 2058) on weakness would be when their simple yields exceed 5%.

## Japanese lifers' writedown criteria

Generally, marketable securities other than those held for trading purposes are either not marked to market or, if they are, valuation gains/losses are as a rule not booked on the income statement.

However, the Life Insurance Association of Japan (LIAJ) states that even securities not held for trading purposes should be marked to market on the balance sheet if their value falls significantly, with the resulting valuation loss to be recorded on the current fiscal year's income statement. Its view is that a "significant" fall (i.e., the threshold for writedowns) is a decline in market value to less than 50% of book value. The LIAJ also states that life insurers may book writedowns of their own volition if market value falls by more than 30%.

### Exhibit 16: Life Insurance Association of Japan's conditions for writedowns of marketable securities by life insurers

Securities generally need to be written down if market value falls at least 50% below book value

Classification by percentage decline	Threshold for significant decline		Need for impairment loss
50%+	Significant decline		Irreversible: impairment treatment required
30%+ -50%	Based on rational criteria	Significant decline	Recoverable: impairment treatment not required
-30%		Does not qualify as significant decline	Impairment treatment not required
	Does not qualify as significant decline		

Source: Life Insurance Association of Japan, BofA Global Research

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## How far are investors from needing to take writedowns?

We look briefly at how far individual JGB issues are from requiring writedowns. We use the accepted bid price in JGB auctions as a substitute for actual book value. Specifically, for the JL and JX series, we take the simple average of the average successful bid prices for each issue, including reopening issuance. For the JU series we use the simple average of issue prices for each issue, including reopening issuance, as a substitute for book value. Our calculations do not include issuance via liquidity enhancement auctions.

The table below summarizes how far each issue's current price is from the "significant decline in market value" threshold that serves as a guide for writedowns--in other words, how much each issue's simple yield would need to rise before a writedown might be required--by multiplying the book value from the above calculation by 0.5

Unsurprisingly, the market value of recent issued JGBs has at this point fallen by far less than 50%. For instance, there were three auctions for JL193, which currently trades at around ¥97.76, in Jul-Sep, with average successful bid prices of ¥100.23, ¥98.93, and ¥98.00. The simple average of these is ¥99.05. Multiplying this by 0.5 gives a value of around ¥49.53, suggesting that life insurers would need to consider writedowns if the simple yield on JL 193 rose from around 2.67% at present to around 10.2%.

## Market implications

Our simulation in this report suggests that most superlong JGBs, mainly on-the-run issues, are still some way from reaching life insurers' threshold for writedowns. While financial markets are concerned about the risk of procyclical fiscal policy and writedowns by lifers, we think the lifers have already made progress with opportunistic sales of low-coupon issues, and we see little risk of writedowns on superlong JGBs in general in the near future.

However, we do see a relatively high risk of writedowns for issues such as JU9 and JU11. Assuming that MOF may buy back superlong JGBs in the near future, a strategic opportunity to buy JU9 and JU11 on dips would be when their simple yields exceed 5%.

### Exhibit 17: Current value of superlong JGB issues

Superlong JGBs may be far from life insurers' threshold for writedowns

20yr JGB						30yr JGB						40yr JGB					
Issue	Current price (A) (¥)	Average price at auction/2 (B) (¥)	Current simple yield (C) (%)	Converted (B) to simple yield (D) (%)	Spread (D)-(C) (bps)	Issue	Current price (A) (¥)	Average price at auction/2 (B) (¥)	Current simple yield (C) (%)	Converted (B) to simple yield (D) (%)	Spread (D)-(C) (bps)	Issue	Current price (A) (¥)	Issue price at auction/2 (B) (¥)	Current simple yield (C) (%)	Converted (B) to simple yield (D) (%)	Spread (D)-(C) (bps)
JL194	100.64	50.17	2.65	10.37	771.7	JX88	101.30	49.64	3.12	9.84	672.2	JU18	94.91	48.14	3.40	9.17	577.1
JL193	97.76	49.53	2.67	10.23	755.4	JX87	93.44	48.06	3.23	9.47	623.6	JU17	75.86	46.58	3.73	7.71	398.0
JL192	96.47	50.08	2.68	9.93	725.0	JX86	85.83	47.18	3.36	8.89	553.5	JU16	57.48	44.36	4.24	6.28	204.5
JL191	90.80	49.34	2.73	9.41	667.7	JX85	84.02	49.44	3.39	8.16	476.8	JU15	52.75	43.59	4.35	5.85	149.3
JL190	88.13	49.57	2.75	9.01	625.3	JX84	80.34	48.78	3.46	7.94	447.6	JU14	48.08	48.39	4.50	4.46	-4.6
JL189	89.93	50.96	2.71	8.88	616.9	JX83	82.34	50.42	3.42	7.79	437.2	JU13	45.41	47.94	4.59	4.20	-39.5
JL188	86.04	49.00	2.74	8.91	617.4	JX82	75.00	48.30	3.57	7.49	392.1	JU12	46.47	50.89	4.52	3.87	-65.2
JL187	82.22	48.59	2.77	8.50	572.5	JX81	71.45	48.72	3.66	7.02	336.1	JU11	53.69	49.32	4.15	4.79	64.1
JL186	85.55	50.28	2.70	8.50	580.4	JX80	75.40	51.14	3.56	6.94	338.5	JU10	56.61	48.65	4.03	5.21	118.0
JL185	80.24	48.65	2.76	8.23	547.1	JX79	64.59	47.12	3.84	6.60	276.3	JU9	47.64	46.04	4.45	4.72	27.0
JL184	80.76	50.76	2.73	7.74	500.7	JX78	68.51	51.22	3.72	6.21	248.7	JU8	66.83	49.46	3.78	6.30	252.2
JL183	85.41	51.27	2.63	8.26	563.1	JX77	72.44	50.67	3.61	6.74	313.2	JU7	73.57	50.43	3.57	6.83	325.4
JL182	81.71	50.16	2.67	8.06	539.5	JX76	69.03	48.89	3.69	6.75	305.2	JU6	77.68	50.86	3.49	7.26	376.6
JL181	79.40	50.43	2.69	7.68	499.0	JX75	67.50	51.15	3.73	6.12	239.2	JU5	80.44	48.97	3.41	8.03	462.2
JL180	78.52	50.05	2.68	7.68	499.2	JX74	62.47	49.80	3.87	5.82	195.1	JU4	85.10	49.83	3.27	8.38	510.3

Source: BofA, Global Research. Bloomberg, Ministry of Finance



# Front end – US I

**Mark Cabana, CFA**  
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**Katie Craig**  
BofAS

- Recent Powell comments support our Fed B/S base case: QT stop at end Dec '25 & liability driven growth in Mar '26.
- Fed B/S actions should be supportive of bills & short-dated USTs; stay long Jan '26 SOFR/FF.

This is an excerpt of [QT & Powell: stop likely at end '25](#)

## Powell: Fed QT may end in coming months

Yesterday Chair Powell provided guidance on Fed QT suggesting it could end in “coming months”. This is in-line with our baseline for QT cessation at end '25. Upon QT cessation we expect several supportive actions for front end USTs, including MBS reinvestments into UST bills. We offer Powell thoughts, discuss Fed B/S outlook, & market impact.

## Fed to guide on B/S size, composition, and WAM

Powell’s comments likely mean Fed B/S discussion at Oct FOMC & possible signal of QT stop at end Dec '25. We offer thoughts on Fed B/S size, composition, & WAM:

**Size:** Fed wants B/S “somewhat above the level consistent with ample reserves.” Fed is watching market conditions to determine this level & relying on: (1) repo % > IORB (2) FF / reserve elasticity (3) % domestic bank borrowing in FF (4) daylight overdrafts (5) late day bank payments in repo. Indicators 1-2 can be seen near real time; they have shifted from “green” to “yellow” on QT (see our report: [FF effective moving higher](#)). Other indicators are lagged. As 1-2 turn “red” we expect Fed B/S of \$6.5-6.6tn. Reason for Fed QT stop = banks prefer cash in IOR vs GC

**Composition:** Fed current securities = 67% USTs, 32% MBS. Fed & Powell desire “primarily” UST only securities portfolio. Once QT ends we expect Fed to let MBS repay & reinvest proceeds into USTs, most likely bills. Current pace of Fed MBS repays is ~\$10-20b/m. MBS sales unlikely to speed process. UST only B/S will take time.

**WAM:** Since QT, Fed UST WAM extended from 7.7Y to 9.0Y. Powell said Fed portfolio is overweight long-dated USTs vs total USTs outstanding. FOMC still needs to settle on ideal WAM; Gov Waller & Pres Logan support Fed to grow bills vs longer-dated USTs (see our note: [Waller & Fed B/S: ALM => bill demand](#)). We see Fed bill buying likely.

## Adding it up: end Dec '25 QT stop, March '26 B/S growth

Powell comments affirm our Fed B/S base case: (1) QT stop at end '25 & move MBS repays into UST, likely bills, at pace of \$10-20b/m (2) Fed B/S growth in Mar '26 to offset liability growth (i.e currency & reserves), likely into bills, at pace of \$15b/m. Both should see Fed buys in secondary market due to cash flow timing issues. This could provide ~\$30b/m of bill support. Fed bill buying helpful for UST WAM shift. Risks are Fed could: (a) end QT or offset liability growth later (b) buy mix of bills & coupons. Fed B/S liability driven growth not QE b/c minimal duration risk removal / financial condition easing.

## Market implications: UST positive & wider SOFR/FF

Fed QT end & future B/S growth are positive for USTs, especially bills & at front end. Fed actions in-line with our base case would help contain UST GC & SOFR. This should support our Jan SOFR/FF widener (current: -6.5bps; see: [SOFR/FF long Jan '26](#)). Risk is longer period of QT or push towards scarce reserve regime under a new Fed Chair.



# Front end – US II

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- Fed target rate shift from FF to repo poses risk of FF cessation, we see low odds but flag key risks.
- FF publication cessation poses risks to (1) contracts linked to FF and (2) a LIBOR-like fallback at a gap to current pricing.
- We recommend caution when considering tightener positions due to risk of SOFR/FF fallback.

This piece was initially published in  
[FF cessation: low probability but we flag key risks](#)

## Fed target shift from FF to repo risks FF cessation

Clients have asked about the potential for Fed funds (FF) publication to be ceased in the wake of Logan's speech on potentially replacing Fed funds with tri-party repo (see [Logan policy target speech](#)). We assign a relatively low probability to this outcome but see it as a risk. It is a risk for 2 key reasons: (1) the contracts that reference Fed funds (2) a LIBOR-like fallback that could result in material widening of long-dated SOFR/FF.

## Cessation of FF publication low probability, high impact

We place a relatively low, but non-zero, probability of a FF publication cessation in the event a new Fed policy target is chosen. We expect the NY Fed would continue FF publication for several years given sufficient transaction volumes and a well-established publication process. However, it is possible FF publication is ceased if volumes materially decline or if the NY Fed judges ongoing publication is a legal liability. While the proposal for a rule change on FHLB investments in interest bearing deposit accounts (IBDAs) was recently withdrawn, a future re-proposal could lead to a sharp FF volume drop; for detail see: [Funding notes: sticky repo & Perli nuggets](#).

## Impact of FF publication cessation: contracts & fallback

There are 2 potential impacts from a FF publication cessation:

**Contracts:** we estimate there are \$16b of contracts that reference FF + 450k in FF futures volumes + 228k in 1m SOFR/FF futures volumes. FF is also likely referenced in many loan or deposit documentation, though size is difficult to estimate. FF contracts are not nearly as widespread as LIBOR contracts but are still a reason for the Fed to continue FF publication.

**Fallback:** a LIBOR-like fallback cessation would have a material impact on far forward SOFR/FF. Recall, the LIBOR cessation resulted in a 5Y lookback for the LIBOR/SOFR spread. A similar fallback today would fix the SOFR/FF spread at +1.95bps. This is a material difference from current 10y10y SOFR/FF which trades at -5.5bps. Any fallback would like take place in several years time, which would likely see SOFR/FF set at a lower value but still at a gap vs current market pricing.

**Bottom line:** Fed target shift away from FF raises risk of FF publication cessation. We see this as a low probability, but non-zero, risk. If FF were ceased it would impact existing FF contracts and raise fallback risk. A fallback snap could put widening pressure on long-dated SOFR/FF. Investors should be mindful of the SOFR/FF fallback risk when considering any tightener position.



# Front end – EU

## Ronald Man

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- We see a continued decline in the Eurosystem balance sheet on QT and lower our OMO usage forecasts slightly.
- We forecast the Eurosystem balance sheet and excess liquidity by end-2027 at €5.6trn and €2.1trn, respectively.
- We expect front-end euro spreads to widen structurally and stay in forward starting Euribor-€str widenings.

This is the front page of [Liquid Insight, 16 October 2025](#)

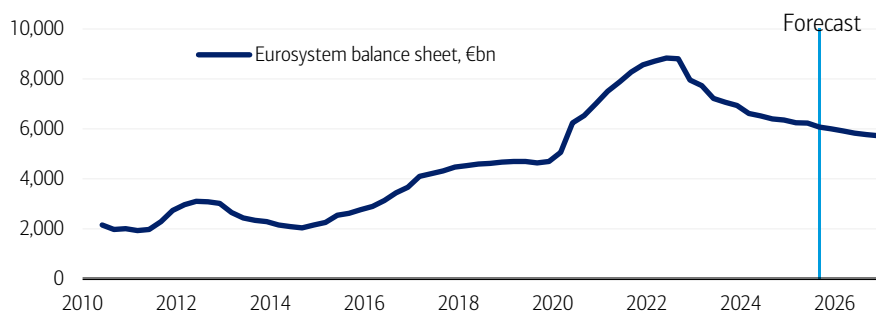
## ECB balance sheet update

The European Central Bank (ECB) has conducted full passive quantitative tightening (QT) since the start of 2025 and the euro money market has arguably been well behaved. We expect QT to continue in its current form in the foreseeable future and this will be the main driver of the Eurosystem's balance sheet decline. We forecast the Eurosystem's balance sheet to fall from €6.4trn at end-2024 to €6.0trn at end-2025, €5.8trn at end-2026, and €5.6trn at end-2027. For excess liquidity, we forecast it to fall from €2.8trn at end-2024 to €2.5trn at end-2025, €2.3trn at end-2026, and €2.1trn at end-2027. We lower our open market operation (OMO) usage assumptions slightly.

Continued balance sheet reduction by the ECB is expected to widen front-end euro spreads as reserves structurally decline. We expect the 1) euro short-term rate (€str)-deposit facility (depo) rate, 2) Euro interbank offered rate (Euribor)-€str, and 3) repo-€str spread to widen. We stay in forward starting Euribor-€str widenings. On the EUR FX-secured overnight financing rate (Sofr) basis, we maintain a structural tightening trend on divergent QT paths between the Fed and the ECB but see near-term widening risks of USD funding risks into year-end.

### Exhibit 18: We expect the Eurosystem balance sheet to fall to €5.6trn by end-2027

Eurosystem balance sheet, €bn



Source: BofA Global Research, ECB

BofA GLOBAL RESEARCH



# Spreads – US

**Ralph Axel**

BofAS

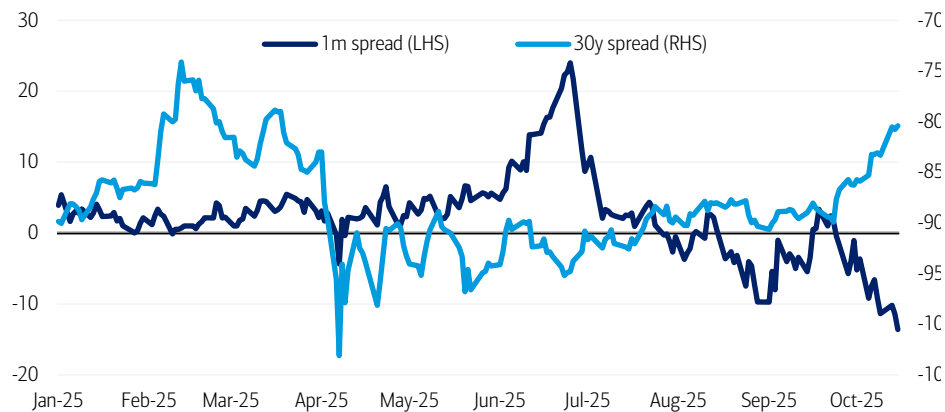
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The swap spread curve has dramatically steepened (Exhibit 19) with 1m Treasuries underperforming and 30y outperforming as markets priced an expected shift in Treasury issuance out of longer-end to bills and belly supply. Funding pressures also continue build which is negative generally for spreads – until the Fed acts decisively with an end to QT and possibly a bill purchase to add reserves.

We continue to believe that Treasury can achieve swap spreads at any desired level via weighted average maturity (WAM) decisions on issuance. Further spread steepening we think will be more difficult as markets may be near peak euphoria over Treasury WAM management shortening. At this point, the onus is on today's dealer questionnaire and 5 November's quarterly refunding event to provide proof of action. Lack of action on WAM shortening has been consistently disappointing in recent refundings, but maybe this time will be different. The expectation of a sooner exit of Fed QT has also been a factor helping the longer durations.

## Exhibit 19: 1m bills historically cheap now while 30y debt richened dramatically since late Sep 2025

Like Q1 2025, 30y benefitting from supply expectations, but Tbill supply threat is a new wrinkle



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

## Not fighting WAM but the narrative could change again next year

The shakeout leaves us with historically cheap short bills, and much richer, but still cheap, 30y bonds. Treasuries are cheap, and we think are a great buy vs investment grade, high yield, and MBS. 1m OIS swap spreads at -14bp are in their lowest 1-percentile back to at least 2013. But as we would expect, overnight bills remain rich to OIS. This creates a very attractive spread rolldown curve all the way out to the 2y point that we think will be anchored by overnight richness. See [Treasuries an attractive carry trade](#) for more on why we like carry in the front end of the Treasury curve.

Another spread widening phase lurks on the horizon with regulation reform for primary dealers. Regulation has quieted down but the eSLR (enhanced supplementary leverage ratio) comment period ended in August and a new proposal may be coming soon.

We still think the deficit threat is large and not well priced given that it is a less immediate problem. While Treasury WAM shortening will be a powerful short-run fix to long-end bonds, we are keeping our eye on the “payfors” in the budget reconciliation bill. Historically we have not seen payfors enacted, including making tax cuts permanent or implementing mandatory spending cuts.



# SSAs – EU

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Excerpt from: [French agencies: under the regulatory hood](#)

## Finding clarity in an uncertain world

The regulatory framework for capital and liquidity requirements regarding SSAs, and particularly agencies, is both complex and uncertain. It is a layered framework composed of regulatory texts on a global, European, as well as national level. In addition, investors are responsible for their own assessment of the regulatory treatment, such as risk-weight, and may thus decide to treat their exposures to the same agencies differently (based on internal risk models). Still, there are factors that are broadly determinant, which, in aggregate, have the potential to impact demand levels and thus market prices.

## Downstream effects of Fitch’s downgrade of France

The credit rating downgrade of France by Fitch on 12-Sep-25 had limited immediate effect on OATs. However, French downgrades can have ramifications for French agencies. Their risk weights and LCR status can change (impacting capital and liquidity requirements for holders), depending on level of guarantees, what ratings providers cover them as well as their actual ratings, and the type of institution each agency operates as. We present the regulatory texts that help determine those potential changes for investors using the standard treatment.

## Parting the sea of risk-weights

For agency risk-weights, the most crucial aspect is to what degree there are explicit guarantees offered by the central government or RLGs, which by extension allows the investor community to treat exposure to the agencies as exposure to the government. For the agencies that operate without such explicit guarantees, the legal status of their entity and current credit ratings become important. Distinctions are made between public sector entities, credit institutions, and corporates. The regulatory framework is complex and uncertainty exists, but we look at Capital Requirements Regulation (CRR) and the EBA’s labelling of public sector entities to provide some clarity.

## LCR status follows, but impact should not be downplayed

The second important regulatory impact of rating downgrades for agency debt is the potential change in its LCR status (HQLA level). Similar to risk-weights, credit ratings and the official type of institution impact the LCR status of the agency. We go through the LCR regulation and consider its application for French agencies.

## Current and future market impact

Following Fitch’s downgrade, for investors not using internal risk models, we see potential for changes in capital and liquidity requirements related to AFLBNK, AGFRNC (AFD), IDFMOB, and RATPPF. With upcoming rating reviews by Moody’s (24th Oct) and S&P (28th Nov), SFILFR, and SOGRPR may be added to this list as well. Due to explicit guarantees, we see limited impact for CADES, CDCEPS, SAGESS, and UNEDIC. We assume similar treatment as the latter for BPIFRA as well, but with less conviction.



# Technicals

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- On October 10<sup>th</sup> with a closing value of 4.62%, the 50d SMA crossed below the 200d SMA on US 30Y yield.
- Of 24 signals since 1977, yield was lower 15-45 trading days later w/the strongest down ratio 35-40 trading days later, which is late Nov-early Dec.
- Since this signal, yield has begun to decline by breaking below yield support at 4.60% and positioning for a decline to 4.45% / 4.30%.

For more on our US yield and curve views, please see the [Rates Technical Advantage: Bonds heart cockroaches 15 October 2025](#)

## US30Y yield tends to decline after moving avg cross signal

The break of 4.60% affirms the moving average cross and Q4 downtrend bias

**Exhibit 20: US 30Y Yield – Triangle top, RSI profile and 50d crossing below 200d SMA all favor a lower 30Y yield.**

US 30Y yield daily candle chart, 50d SMA, 200d SMA, RSI



USGG30YR Index (US Generic Govt 30 Yr) RB: US 30yr Daily Daily 15NOV2024-16OCT2025

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# Rates Alpha trade recommendations

## Exhibit 21: Global Rates Trade Book - open trades

Open trades

	Open Trades	Entry Date	Entry	Target	Stop	Latest Level	Trade rationale	Risk
Europe	<a href="#">Sell 2055 TIPS, buy 2056 BTPei</a>	8-Oct-25	12	-20	28	1	Net external asset trends	Contagion from adverse France moves
	<a href="#">Receive Mar26 ECB €str</a>	3-Oct-25	1.86	1.65	1.95	1.80	Weak outlook to prompt more cuts	Upside data surprises
	<a href="#">Receive 10y5y 'real ESTR' rate</a>	5-Sep-25	107	70	125	96	Lower neutral	Global bear market in rates
	<a href="#">Sell OATei 47, buy BTPei 56 on z-spread</a>	5-Sep-25	69	40	85	58	Extreme RV anomaly	Reduced France uncertainty
	<a href="#">Receive 10y5y €str</a>	2-Sep-25	3.4%	3%	3.7%	3.18%	Downside in growth, lower premia	Paying by banks, upside data surprises
	<a href="#">Long 10y Bunds</a>	2-Sep-25	2.8%	2.4%	3.05%	2.57%	Downside in growth, pressure on risk assets	Upside data surprises
	<a href="#">Pay Jun26 IMM 1y Euribor-€str basis</a>	7-Aug-25	23.7	30	19.5	24	Reserve demand-supply imbalance to worsen	Low reserve demand, structural operations
	<a href="#">Short 5y German swap spreads</a>	11-Jul-25	6.5	0	12	11	Seasonality, supply concerns, receiving in swaps	Risk-off move, program paying in 5y swaps
	<a href="#">6m 2s10s floor ladder</a>	7-Jul-25	63bp	51.4bp	70bp	51bp	Flattening bias in 2s10s.	2s10s flattening beyond the downside b/e
	<a href="#">Short 6m2y rec ladder</a>	7-Jul-25	0bp	25bp	-14bp	-1bp	Wide range of outcomes.	Rally to 1.5-1.9%
	<a href="#">US-Euro 2y3y inflation widener</a>	1-Jul-25	38	70	20	50	Historically narrow, roll-down	US recession
	<a href="#">2y3y/5y5y Euro inflation steepener</a>	2-May-25	20.0	35.0	10.0	18	Swift fall in inflation	Stalling disinflation
	<a href="#">Long 30y Bunds vs Netherlands</a>	24-Nov-24	14.5	25	8	14	Fade the cheapness of GE long-end	Change in German constitution
	<a href="#">5y1y ATM-25/-100bp rec spread</a>	8-Feb-24	25bp	60bp	0	22bp	Lower ECB terminal rate, without negative carry	Better than expected EUR data
UK	<a href="#">1s2s RPI flattener</a>	2-Oct-25	6.5	-25.0	25.0	4.3	RPI forecast, RV anomaly	Falling energy prices
	<a href="#">Pay 10y Sonia vs long 30y Gilt</a>	19-Sep-25	139bp	120bp	155bp	130bp	Gilt supply migrating to shorter-WAM	Sharp curve steepening from fiscal concerns
	<a href="#">Receive December MPC-dated Sonia</a>	5-Sep-25	3.88	3.72	3.96	3.87	Not enough priced in at the front-end	Sonia drift higher
	<a href="#">Long UKTi 2027s on z-spread</a>	5-Sep-25	15	0	23	16	Expect banks bid on UKTi26s maturity	Supply driven Gilt cheapening
	<a href="#">UKTi 2058/68 real curve flattener</a>	1-Jul-25	-12.7	-22	-7	-18	RV cheapness of '68s, convexity	Ultra-long supply poorly digested
	<a href="#">Rec fwd UKTi real rates/pay fwd TIPS real rates</a>	14-May-25	22	-40	50	-4	DMO Shortening its issuance	Poorly digested long-dated supply in Gilts
	<a href="#">Long 30y Gilt on ASW</a>	2-May-25	91	75	100	89	Expect BoE to at some point signal slower QT	UK fiscal worries
	<a href="#">UKTi 2037/39 real curve flattener</a>	24-Oct-24	17	9	25	17	Attractive level; low coupon value	Supply related dislocation
	<a href="#">UKTi '32/36/47 barbell</a>	05-Sep-24	14.8	5.0	20.0	130	Expect forward flattening	Illiquid conditions
	<a href="#">Sell UKTi 2036 v UKT 2042 on ASW</a>	26-Jul-24	-21	-8	-28	-12	Historical extreme spread	Poor nominal auction demand
US	<a href="#">Paid April '26 FOMC OIS</a>	19-Sep-25	3.31%	3.65%	3.05%	3.29%	Cautious Fed & April underpriced vs end of '26	More dovish Fed with faster cutting cycle
	<a href="#">2s10s flattener</a>	19-Sep-25	55bp	30bp	70bp	55bp	Less aggressive Fed cuts & positive carry	More dovish Fed with faster cutting cycle
	<a href="#">Long Jan SOFR/FF</a>	15-Sep-25	-6.5bp	-2bp	-11bp	-8bp	Fed likely to step in on further funding pressure, end QT	Fed more tolerant of SOFR above IORB and FF
	<a href="#">SOFR H6H7 flattener</a>	11-Sep-25	-53bp	-75bp	-35bp	-43bp	Cautious Fed near-term-> more cuts post Powell	Frontloading of Fed cuts & steeper SOFR curve
	<a href="#">1y10y inflation swap steepener</a>	3-Sep-25	-83bp	-40bp	-110bp	-64bp	More inflation risk premium longer term	Commodity price shock & higher tariff impact
	<a href="#">Sell 1y1y vs 1y10y vol</a>	14-Aug-25	+4bp Vega (v)	15bp Vega (v)	-5bp Vega (v)	4bp	Underperformance of left vs right side vol on soft landing scenarios	Higher uncertainty around the Fed policy near term
	<a href="#">Long 10y BE</a>	23-June-25	234bp	255bp	220bp	228bp	Fed independence threat hedge	Risk off flow that sees oil decline
	<a href="#">6m5y payer ladder</a>	23-May-25	0bp	27bp	-10bp	1bp	Scenarios of hawkish repricing of policy trough	Scenarios of Fed hikes
	<a href="#">18m1y vs 6m1y rec</a>	1-May-25	0bp	30bp	-15bp	92bp	< frontloaded cuts, > backloaded cuts	>frontloaded cuts with < medium term
	<a href="#">6m fwd 2s10s floor ladder</a>	1-May-25	46bp	17bp	-10bp	31bp	Underperformance of curve vs fwds	Flattening beyond the c.20bp BE
APAC	<a href="#">1y1y receiver 1x1.5</a>	12-Dec-24	9bp	60bp	-15bp	3bp	Hedging slowdown scenarios	Aggressive hard landing scenarios
	<a href="#">1y fwd 5s30s bear steepener</a>	24-Nov-24	0bp	30bp	-15bp	22bp	Term premium build & reacceleration scenarios	Bear flattening on hawkish Fed
	<a href="#">1y10y payer spd vs 3m10y payer</a>	24-Nov-24	0bp	30bp	-15bp	-17bp	Higher recalibration/reacceleration likelihoods	Frontloaded sell that fades medium term
	<a href="#">1y1y straddles vs strangles</a>	24-Nov-24	+0.31%	20bp v	-10bp v	0.36%	Long vol of vol	Lower vol of vol
	<a href="#">Long 5y30y vol vs 2y30y vol</a>	24-Nov-24	+5.5bp v	15bp v	-10bp v	15bp	Vega supported bearish tail scenarios	Outperformance of intermediate vs long vega
	<a href="#">3y1y rtr spd a/-50bp</a>	6-Nov-23	23bp	50bp	-23bp	13bp	Soft landing scenario	Capped to premium
	<a href="#">Pay 6m1y, receive 1y5y swaps</a>	10-Oct-25	62bp	38bp	74bp	-8bp	Carry-rich flattener for an extended RBA pause	Weak AU Sept. jobs report
	<a href="#">Long 6m5y payer spd USD vs KRW</a>	23-Sep-25	0bp	25bp	-10bp	-8bp	Underperformance of USD vs KRW rates	Underperformance of KRW vs USD rates
	<a href="#">Long 6m20y payers JPY vs AUD</a>	21-Aug-25	0bp	20bp	-10bp	-1bp	Underperformance of JPY vs AUD rates	Underperformance of AUD vs JPY rates
	<a href="#">Short 20y JGBs vs AUD semis</a>	18-Aug-25	289bp	200bp	330bp	290bp	Fiscal risks underpriced into autumn Diet	JGBs could rally if risk sentiment deteriorates.
<a href="#">US 10y invoice spreads vs AU</a>	30-May-25	40bp	60bp	25bp	37	Fiscal divergence	US reg reform, AU budget update	
<a href="#">Pay 3y swap EFP (q/q)</a>	28-May-25	-9.5bp	10bp	-19.5bp	-2.1bp	Robust AU bond demand profile mispriced	Global spread tightening	
<a href="#">Buy TCV 5.5% Sep 2039 vs 10y IRS</a>	15-May-25	133bp	100bp	148bp	132bp	Fiscal convergence between AU and Victoria	Wider spreads likely in a risk-off event	
<a href="#">JP 1y2y payers spd vs 1y10y payers</a>	24-Nov-24	0bp	40bp	-15bp	-1bp	Bear flattening of the curve	Lagging BoJ & curve bear steepening	
<a href="#">JP 1y5y payer ladders</a>	24-Nov-24	0bp	28bp	-10bp	11bp	Repricing of policy trough	Underperformance vs. downside b/e	
<a href="#">KR 1y fwd 2s10s bull steepeners</a>	24-Nov-24	0bp	25bp	-10bp	16bp	Dovish BoK and bull steepening	Hawkish shift for BoK	
<a href="#">KR 1y5y receiver spd</a>	24-Nov-24	-16bp	34bp	-15bp	3bp	Repricing of policy trough lower	Capped to upfront premium	



**Exhibit 22: Global Rates Trade Book - closed trades**

Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
Europe	US 3m10y payer spd vs EUR payers	7-Jul-25	0bp	25bp	-15bp	-8bp	-7bp
	Receive Oct ECB €str	18-Jul-25	1.765	1.565	1.925	26-Sep-25	1.929
	Receiving 6m1y EUR vs CHF	14-Mar-25	176bp	130bp	200bp	18-Sep-25	196bp
	6m 2s5s30s rec fly	7-Jul-25	0	150k	-80k	05-Sep-25	150k
	Receive 5y5y *real ESTR* rate	14-May-25	74	25	100	05-Sep-25	83
	OATei 2038/53 real curve flattener	13-June-25	20	0	30	20-Aug-25	30
	6m5y 1x1.5 rec	5-Feb-25	0bp	14bp	-10bp	4-Aug-25	0
	Pay 1y1y Euribor-€str basis	24-Nov-24	21.5	30	17	07-Aug-25	24
	Long 10y Spain vs Germany & Italy	9-May-25	25	15	31	04-Aug-25	22
	Short 5y EU vs NL	19-Jun-25	21.8	30	17	31-Jul-25	16
	Long 2y IT vs FR	20-Jun-25	7	-10	16	24-Jul-25	5.8
	Long EU 30y vs Netherlands	28-Mar-25	72	60	80	18-Jul-25	60
	Short 1y1y vs 1y10y vol	24-Nov-24	6.5bp	20bp	-10bp	11-Jul-25	24bp
	Receive BTPei 2033-39 fwd yield	1-Apr-25	358	300	400	01-Jul-25	320
	BTPei 2039 iota narrower	7-Mar-25	25.4	17	30	03-Jun-25	19.9
	US-Euro 2y3y inflation widener	7-Mar-25	28bp	50bp	15bp	30-May-25	50bp
	Long 15y OAT May-42	21-Mar-25	3.84	3.5	4.05	27-May-25	3.67
	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	
UK	Rec Nov MPC-dated Sonia	13-Jun-25	3.78%	3.50%	3.95%	01-Aug-25	3.78%
	1s2s RPI flattener	23-May-25	7	-30	25	01-Aug-25	-16
	Long UKT 0 1/8% 2028 vs. UKT 4 3/8% 2028 on ASW	24-Jan-25	-29	-40	-24	08-Jul-25	-24
	Short Sonia 3s5s7s (pay 5s)	05-Sep-24	-12	10	-21	26-Jun-25	-5.3
	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	
US	6m10y payer spreads	7-Apr-25	8.5bp	25bp	-8.5	07-Oct-25	-7bp
	Short 30y spread	1-Aug-25	-88bp	-105bp	-70bp	03-Oct-25	-83bp
	Received 5y OIS	8-Aug-25	3.44%	2.8%	3.8%	19-Sep-25	3.29%
	5s30s nominal steepener	3-Sep-25	122bp	160bp	90bp	19-Sep-25	105bp
	Receive BoC Sept OIS vs pay Fed Sept OIS	12-Sep-25	7bp	0bp	13bp	15-Sep-25	3bp
Short Oct SOFR/FF	27-Jun-25	-4bp	-8bp	-1bp	15-Sep-25	-6bp	



**Exhibit 22: Global Rates Trade Book - closed trades**

Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
	Pay Sept FOMC OIS	14-Aug-25	4.12	4.25	4.05	22-Aug-25	4.12
	Short 3y spread	30-Jun-25	-31bp	-40bp	-20bp	1-Aug-25	-31bp
	6m5y payer ladder	7-Mar-25	0bp	25bp	-10bp	11-Aug-25	0bp
	Pay Dec FOMC OIS	15-May-25	3.78%	4.25%	3.5%	1-Aug-25	3.83%
	Short July SOFR/FF	30-Jun-25	+1bp	-2bp	+2.5bp	1-Aug-25	-0.5bp
	3y20y swap spread steepener	2-Jul-25	-51bp	-30bp	-65bp	28-Jul-25	-47bp
	6m1y rec spd	21-Jan-25	11bp	25bp	-11bp	22-Jul-25	2bp
	Sell 1m10y vs 6m10y receiver	21-Jan-25	0bp	20bp	-10bp	22-Jul-25	8bp
	Long 2y3y inflation	24-Apr-25	2.24	2.50	2.05	16-Jul-25	2.46
	Pay July BoC OIS	6-Jun-25	2.65%	2.75%	2.55%	14-Jul-25	2.72%
	Long 1y10y rtp spd vs 4m10y rtp	3-Jul-24	0bp	20bp	-17bp	7-Jul-25	-14bp
	Short 30y swap spread	30-Apr-25	-90	-110	-75	30-Jun-25	-91
	10s30s curve steepener	15-May-25	45bp	70bp	15bp	13-Jun-25	48bp
	Pay SOFR Z6	29-May-25	3.26%	3.9%	2.75%	13-Jun-25	3.27%
	Pay July FOMC OIS	8-May-25	4.15%	4.3%	4.05%	6-Jun-25	4.3%
	Pay Bank of Canada June OIS	21-May-25	2.675%	2.75%	2.6%	04-Jun-25	2.75%
	Z5-Z6 FF curve flattener	13-May-25	-34bp	-70bp	-10bp	29-May-25	-57bp
	1y fwd 2s10s floor ladder	28-May-24	-20bp	-40bp	-60bp	28-May-25	0bp
	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	4bp
	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
APAC	AU 6m3y receiver 1x1.5	27-Mar-25	4bp	30bp	-15bp	27-Sep-25	12bp
	Selling IVSP (= sell JBZ5 vs receive swap)	20-Aug-25	-12.5	-16.0	-9.5	10-Oct-25	-13.2
	AU 6m1y payer ladder	14-Jul-25	0bp	18bp	-10bp	25-Sep-25	5bp
	Short Dec '26 futures, buy US	15-Aug-25	7bp	50bp	-15bp	19-Sep-25	25bp
	Sell AU Jun '26 futures	25-Jul-25	96.78	96.50	97.00	15-Aug-25	96.91
	Buy Dec '25 bill futures, sell YM	16-May-25	21bp	8bp	27bp	25-Jun-25	14bp
	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
	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	

**Exhibit 22: Global Rates Trade Book - closed trades**

## Closed trades

Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
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%



# Global rates forecasts

## Exhibit 23: Latest levels and rate forecasts

Forecasts by quarter up to Q4 '26 plus YE 2027

		Latest	YE 25	Q1 26	Q2 26	Q3 26	YE 26	YE 27
USA	0/N SOFR	4.29	3.94	3.95	3.71	3.46	3.21	3.21
	2y T-Note	3.47	3.30	3.30	3.30	3.35	3.45	3.45
	5y T-Note	3.60	3.50	3.55	3.55	3.60	3.70	3.75
	<b>10y T-Note</b>	<b>4.02</b>	<b>4.00</b>	<b>4.05</b>	<b>4.10</b>	<b>4.15</b>	<b>4.25</b>	<b>4.25</b>
	30y T-Bond	4.62	4.70	4.75	4.80	4.90	5.00	5.05
	2y Swap	3.26	3.03	3.01	3.00	3.05	3.15	3.15
	5y Swap	3.27	3.13	3.16	3.15	3.20	3.30	3.35
	<b>10y Swap</b>	<b>3.56</b>	<b>3.43</b>	<b>3.46</b>	<b>3.50</b>	<b>3.55</b>	<b>3.65</b>	<b>3.65</b>
30y Swap	3.87	3.84	3.87	3.90	4.00	4.10	4.15	
Germany	3m Euribor	2.00	1.85	1.65	1.65	1.65	1.65	2.15
	2y BKO	1.91	1.85	1.85	1.90	1.95	2.00	2.25
	5y OBL	2.16	2.10	2.10	2.20	2.25	2.30	2.60
	<b>10y DBR</b>	<b>2.57</b>	<b>2.50</b>	<b>2.50</b>	<b>2.60</b>	<b>2.65</b>	<b>2.70</b>	<b>2.90</b>
	30y DBR	3.16	3.10	3.15	3.20	3.25	3.30	3.45
	2y Euribor Swap	2.07	1.95	1.90	1.95	2.00	2.05	2.30
	5y Euribor Swap	2.26	2.15	2.10	2.20	2.25	2.30	2.60
	<b>10y Euribor Swap</b>	<b>2.58</b>	<b>2.40</b>	<b>2.40</b>	<b>2.45</b>	<b>2.50</b>	<b>2.55</b>	<b>2.75</b>
30y Euribor Swap	2.83	2.75	2.80	2.85	2.90	3.00	3.15	
Japan	TONA	0.48	0.48	0.73	0.73	0.98	0.98	1.48
	2y JGB	0.93	0.85	1.00	1.07	1.25	1.30	1.80
	5y JGB	1.22	1.10	1.25	1.32	1.50	1.55	2.00
	<b>10y JGB</b>	<b>1.67</b>	<b>1.65</b>	<b>1.75</b>	<b>1.80</b>	<b>1.90</b>	<b>2.00</b>	<b>2.25</b>
	30y JGB	3.14	3.25	3.30	3.33	3.35	3.50	3.55
	2y Swap	0.90	0.82	0.95	1.02	1.18	1.23	1.70
	5y Swap	1.15	1.05	1.18	1.25	1.40	1.45	1.88
	<b>10y Swap</b>	<b>1.47</b>	<b>1.45</b>	<b>1.53</b>	<b>1.58</b>	<b>1.65</b>	<b>1.70</b>	<b>1.93</b>
U.K.	3m Sonia	3.94	3.85	3.50	3.50	3.50	3.50	3.50
	2y UKT	3.85	3.70	3.75	3.80	3.80	3.80	3.95
	5y UKT	3.95	4.15	4.15	4.20	4.20	4.25	4.45
	<b>10y UKT</b>	<b>4.50</b>	<b>4.80</b>	<b>4.85</b>	<b>4.85</b>	<b>4.90</b>	<b>5.00</b>	<b>5.10</b>
	30y UKT	5.30	5.55	5.50	5.50	5.55	5.55	5.60
	2y Sonia Swap	3.62	3.50	3.55	3.60	3.60	3.60	3.75
	5y Sonia Swap	3.67	3.85	3.85	3.90	3.90	3.95	4.15
	<b>10y Sonia Swap</b>	<b>3.99</b>	<b>4.25</b>	<b>4.25</b>	<b>4.25</b>	<b>4.30</b>	<b>4.40</b>	<b>4.50</b>
Australia	3m BBSW	3.57	3.45	3.45	3.45	3.45	3.55	3.75
	2y ACGB	3.35	3.45	3.50	3.55	3.85	3.85	3.85
	5y ACGB	3.57	3.65	3.70	3.75	3.75	3.95	4.05
	<b>10y ACGB</b>	<b>4.15</b>	<b>4.15</b>	<b>4.20</b>	<b>4.25</b>	<b>4.25</b>	<b>4.40</b>	<b>4.40</b>
	3y Swap	3.39	3.45	3.50	3.55	3.55	3.85	3.85
	<b>10y Swap</b>	<b>4.16</b>	<b>4.15</b>	<b>4.20</b>	<b>4.25</b>	<b>4.25</b>	<b>4.40</b>	<b>4.40</b>
Canada	2y Govt	2.40	2.50	2.50	2.55	2.60	2.65	2.85
	5y Govt	2.66	2.75	2.80	2.85	2.90	2.95	3.25
	<b>10y Govt</b>	<b>3.10</b>	<b>3.25</b>	<b>3.30</b>	<b>3.35</b>	<b>3.40</b>	<b>3.45</b>	<b>3.50</b>
	2y Swap	2.26	2.36	2.36	2.41	2.46	2.51	2.71
	5y Swap	2.46	2.52	2.57	2.62	2.67	2.72	3.02
	<b>10y Swap</b>	<b>2.83</b>	<b>2.94</b>	<b>2.99</b>	<b>3.04</b>	<b>3.09</b>	<b>3.14</b>	<b>3.19</b>

Source: BofA Global Research

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# Appendix: Common acronyms

## Exhibit 24: 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
Bol	Banca d'Italia (Bank of Italy)	MWh	Megawatt-hour
Boj	Bank of Japan	NBFI	Non-bank financial institution
BoS	Banco de España (Bank of Spain)	NGEU	NextGenerationEU
bp	basis point	NE	Netherlands
BTP	Buoni Poliennali del Tesoro	NRFP	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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