

## FX and Rates Sentiment Survey

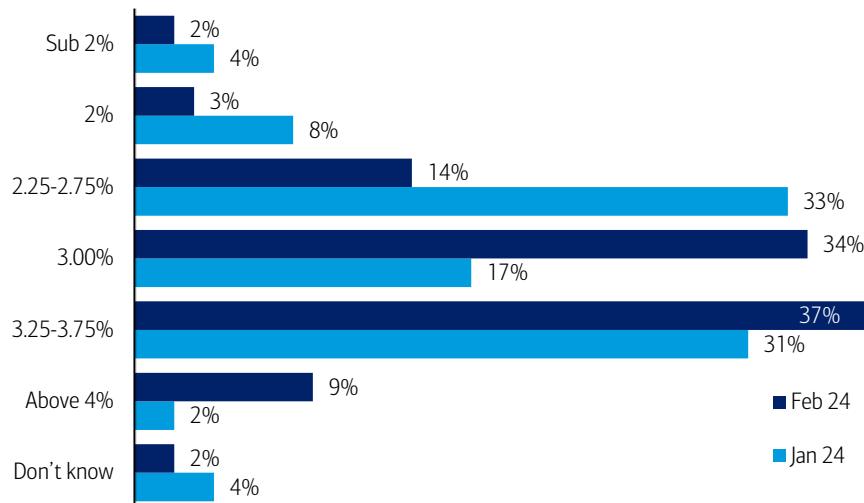
## Self confident

## Terminal rate pushed higher

While the Fed may be “confidence” challenged, investors have greater conviction in buying duration and disinflation. Only 10% of survey respondents expect inflation to be above 3% by the end of the year, compared to 30% in January (Exhibit 15). This has likely supported the add to longs on the month (Exhibit 33). However, investors still think the Fed is the central bank most likely to surprise hawkishly (Exhibit 13). Indeed, respondents have also revised terminal rate expectations higher, with 80% anticipating the Fed to end the cutting cycle at or above 3% (Exhibit 1).

**Exhibit 1: I expect the Fed to cut rates to a terminal rate:**

Sub 3% terminal rates far less likely



Source: BofA Global Research FX and Rates Sentiment Survey

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Beyond central bank policy, we also included questions this month on the market response to results of the upcoming US election. Most respondents think that a Republican sweep would lead to USD appreciation (Exhibit 10) while a Democratic sweep would see the USD unchanged or lower (Exhibit 11). For rates, a sweep by either party is expected to drive a selloff (Exhibit 12).

Trading ideas and investment strategies discussed herein may give rise to significant risk and are not suitable for all investors. Investors should have experience in relevant markets and the financial resources to absorb any losses arising from applying these ideas or strategies.

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Refer to important disclosures on page 25 to 27.

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09 February 2024

Rates and FX  
Global

BofA  
Data  
Analytics



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Our survey was conducted on 02 –07 February 2024. A total of 96 Fund Managers responded, with USD889bn AUM. Responses came from the UK, Continental Europe, Asia & the US.

## Invitation to join

If you are a benchmarked investor and would like to participate in this survey, please click the [sign-up link](#), contact the authors, or your BofA sales representative.

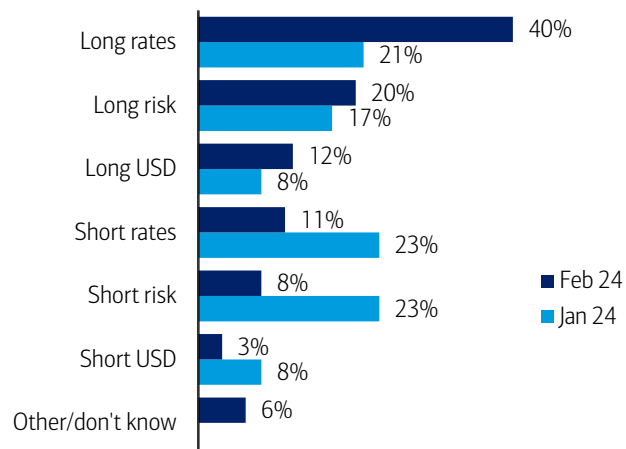
Participants in the survey will receive the full set of monthly results, but only for the relevant month in which they participate.

## Stronger conviction on long rates for 2024

Despite global data resilience (ex China) and many central banks pushing back against early rate cuts, bullish rates sentiment has strengthened. Long rates is the highest cross-asset conviction for 2024 (Exhibit 2), while global duration exposure rose sharply from the January lows (Exhibit 26). This is especially evident in the Euro zone, where core duration exposure & sentiment are at multi-year highs (Exhibit 3) and the ECB is viewed as the most likely to surprise dovishly. Unsurprisingly, positioning poses the greatest risk to the bullish rates conviction (Exhibit 6).

### Exhibit 2: My highest conviction view to start '24:

Long rates conviction has strengthened despite positioning concerns

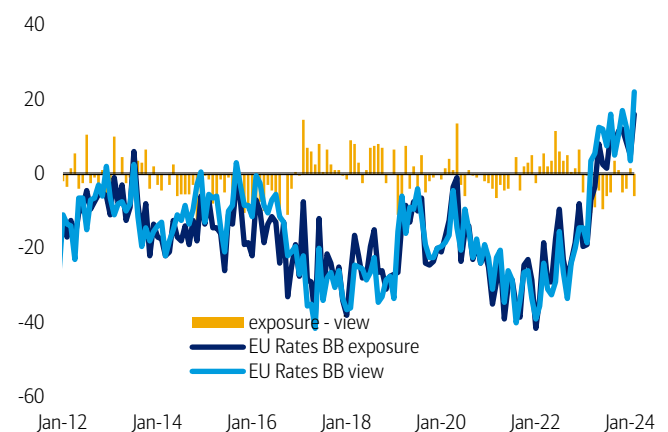


Source: BofA Global Research FX and Rates Sentiment Survey

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### Exhibit 3: Duration exposure and view: Core Europe

Bullish core exposure and views at multi-year highs



Source: BofA Global Research FX and Rates Sentiment Survey

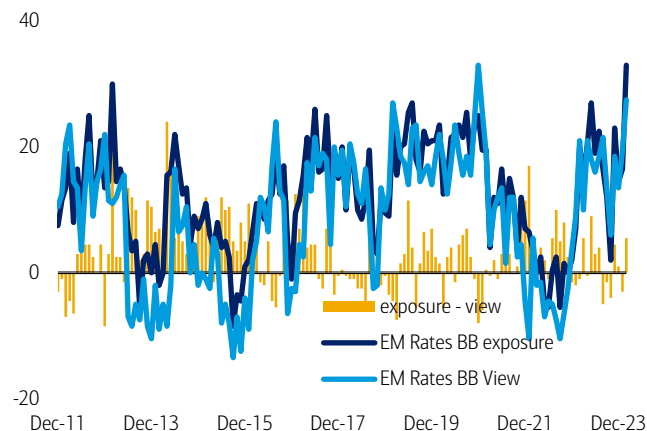
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## EM: stronger appetite, local in focus

EM investor sentiment continued to improve. EM duration exposure reached multi-year highs as views jumped to post-COVID highs (Exhibit 4). The positive risk appetite is reflected in the rather modest cash positions (Exhibit 62) and the meaningful local rates exposure (Exhibit 5). LatAm sentiment easily stands out (Exhibit 68) but EMEA sentiment also picked up.

### Exhibit 4: Duration exposure and view: EM

Sentiment best since post-COVID, exposure jumps to records



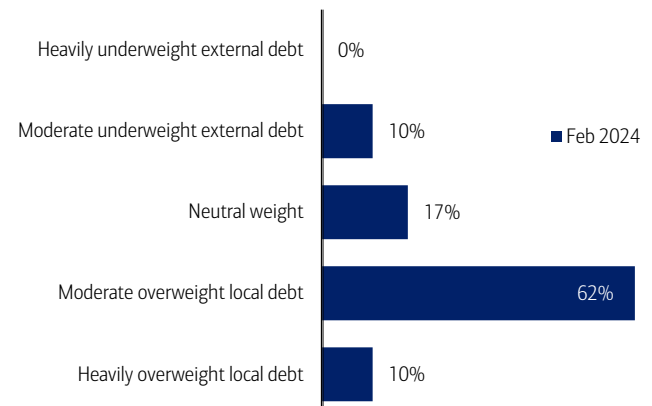
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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### Exhibit 5: How would you describe the exposure of your portfolio to EM local vs external debt vs average?

Overwhelming overweight local debt, although a moderate one



Source: BofA Global Research FX and Rates Sentiment Survey

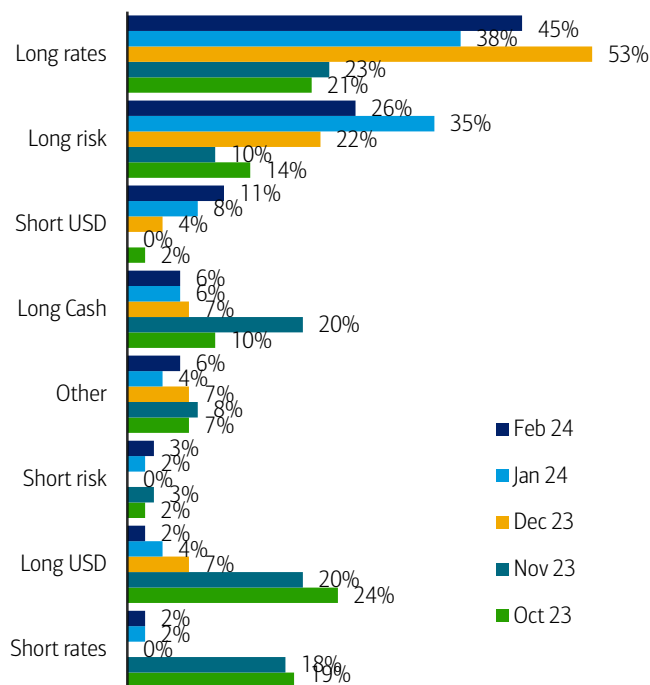
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# FX and Rates Sentiment Survey February 2024

Long rates are still seen as the most crowded trade despite central banks pushing back against early rate cuts

## Exhibit 6: Most crowded trade:

Long rates still viewed as most crowded trade



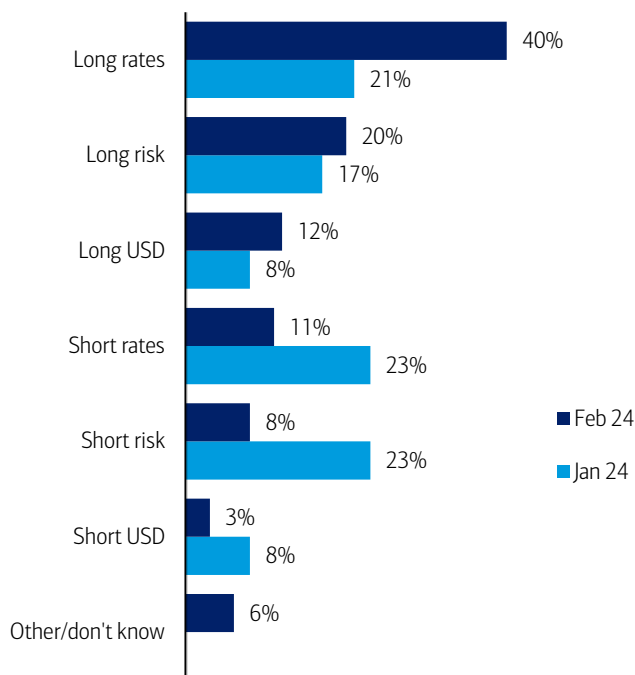
Source: BofA Global Research FX and Rates Sentiment Survey

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Following very divided views at the start of '24, consensus is coalescing around a long rates conviction despite positioning concerns and likely reflecting a "buy the dip" mentality

## Exhibit 7: My highest conviction view to start '24:

Long rates conviction has strengthened despite positioning concerns



Source: BofA Global Research FX and Rates Sentiment Survey

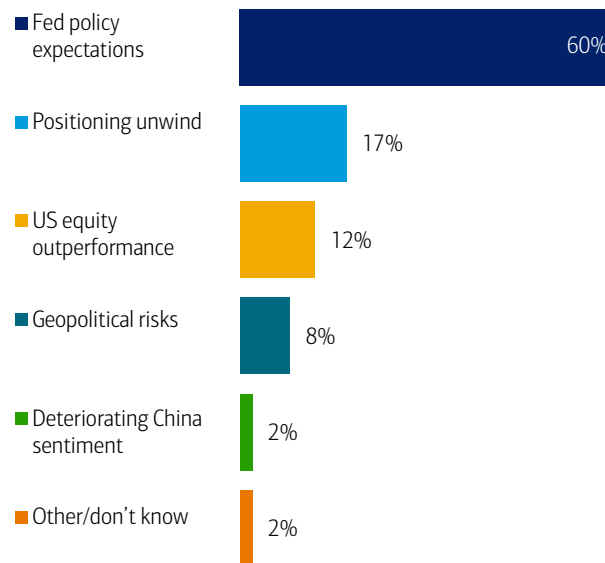
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Fed policy expectations are viewed as the primary driver of USD appreciation despite the largely unchanged rate differentials

#### Exhibit 8: What has been the primary driver of USD appreciation in 2024?

Fed policy seen as primary driver of USD strength



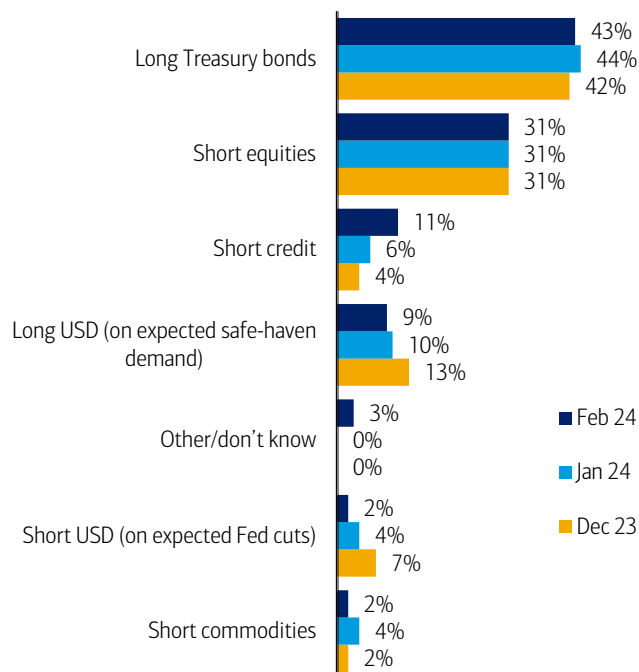
Source: BofA Global Research FX and Rates Sentiment Survey

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Long USTs still considered the best “hard landing” hedge over short equities

#### Exhibit 9: What would you expect to initially perform the best if “hard landing” becomes a consensus scenario?

Long USTs over short equities for “hard landing” scenario

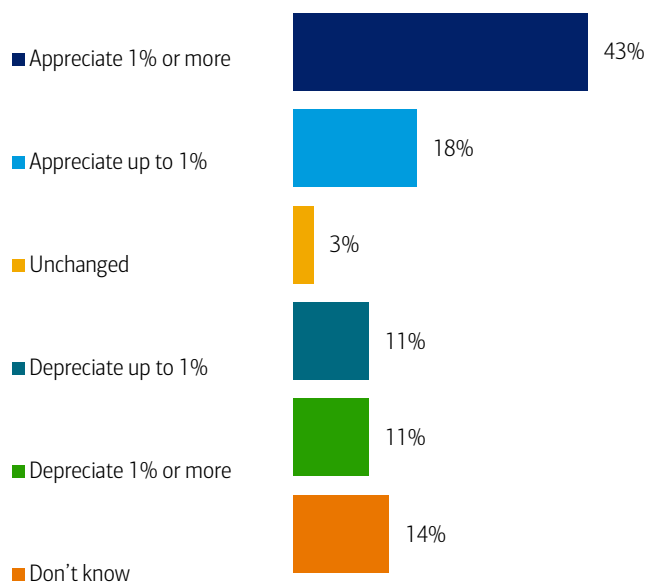


Source: BofA Global Research FX and Rates Sentiment Survey

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Most respondents expect the USD to strengthen upon a Republican sweep in the US elections...

**Exhibit 10: Most likely DXY reaction to a Republican election sweep:**  
Majority expects DXY strength upon a Republican election sweep

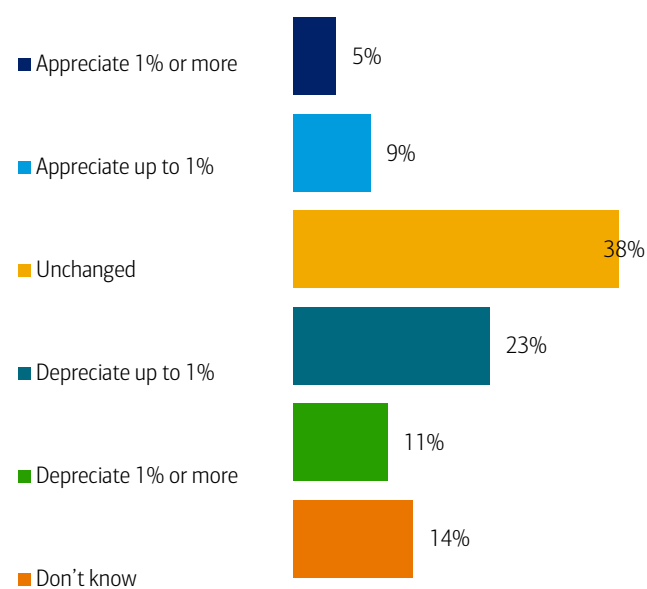


Source: BofA Global Research FX and Rates Sentiment Survey

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...but less conviction on a Democratic sweep, although answers skewed in favour of USD depreciation

**Exhibit 11: Most likely DXY reaction to a Democrat election sweep:**  
Less directional conviction upon a Democratic sweep



Source: BofA Global Research FX and Rates Sentiment Survey

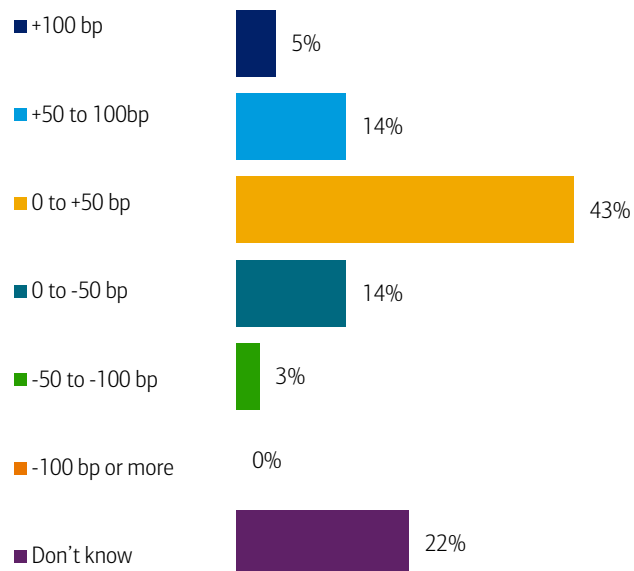
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Most expect higher US rates upon an election sweep by either party

#### Exhibit 12: Most likely 10Y UST market reaction to a Republican or a Democrat election sweep:

Majority expects higher US rates upon an election sweep by either Party



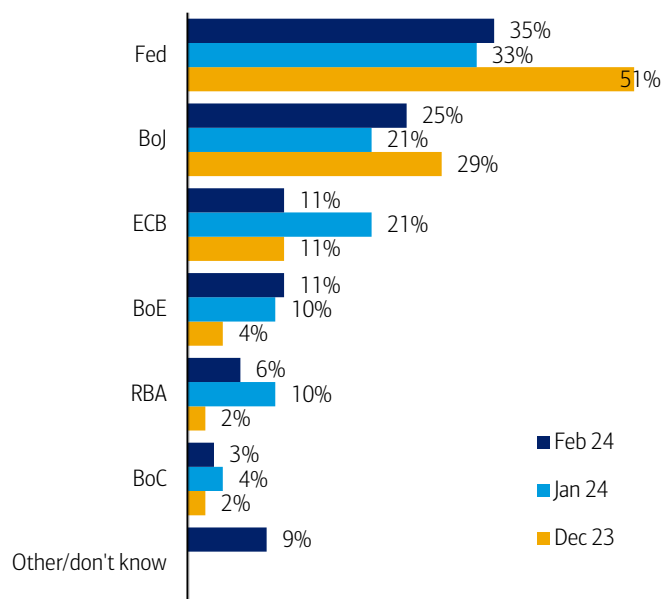
Source: BofA Global Research FX and Rates Sentiment Survey

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The Fed is still seen as the most likely to surprise hawkishly, while the more hawkish BoJ communication shows

#### Exhibit 13: Which central bank is most likely to deliver a more hawkish outcome by YE 2024 than current market pricing:

Fed seen as most likely to surprise hawkishly



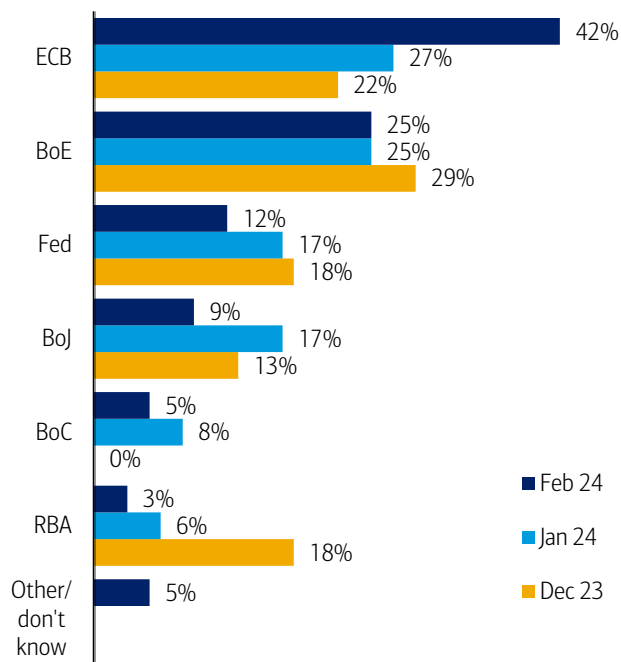
Source: BofA Global Research FX and Rates Sentiment Survey

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Meanwhile, the ECB is now clearly seen as the most likely to deliver a dovish surprise following weak pushback against market pricing of 1H cuts

#### Exhibit 14: Which central bank is most likely to deliver a more dovish outcome by YE 2024 than current market pricing:

Surge in expectations of more dovish ECB



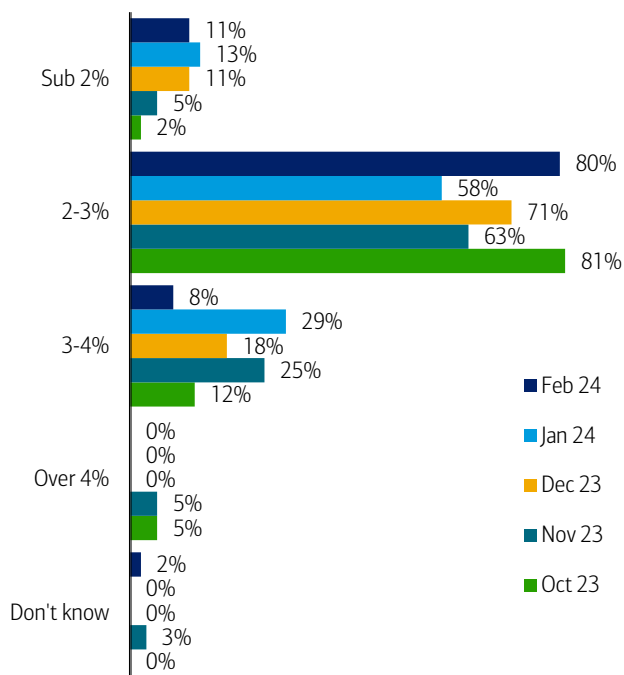
Source: BofA Global Research FX and Rates Sentiment Survey

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Confidence in 2-3% inflation in the US has strengthened...

#### Exhibit 15: I expect US inflation at the end of 2024 to be

Confidence in 2-3% inflation in the US has strengthened



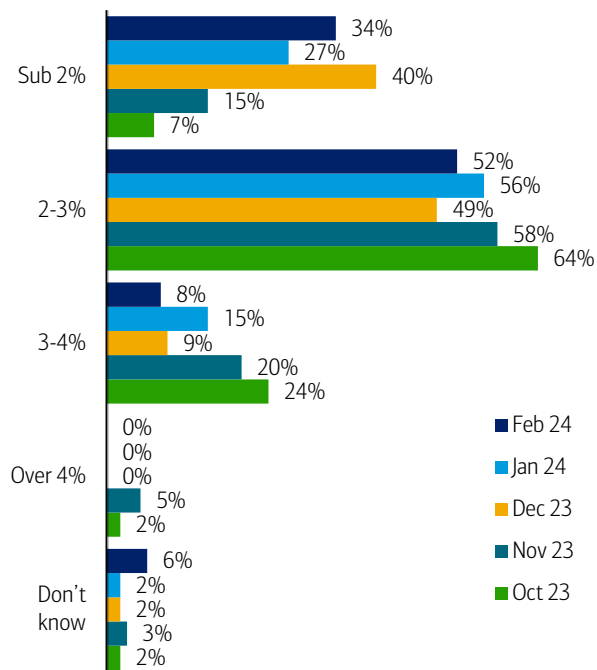
Source: BofA Global Research FX and Rates Sentiment Survey

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...whereas in the Euro area downside risks rose

### Exhibit 16: I expect Eurozone inflation at the end of 2024 to be:

Downside skew to inflation expectations



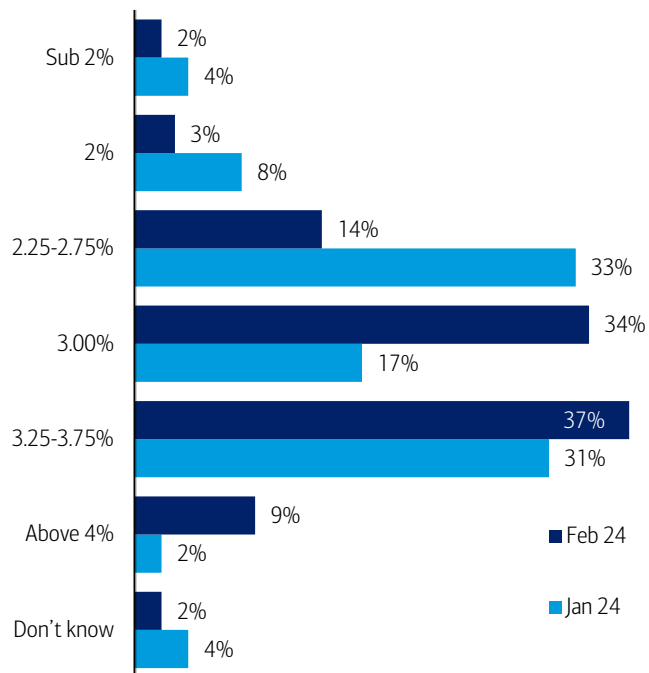
Source: BofA Global Research FX and Rates Sentiment Survey

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Fading of US “hard landing” concerns has sharply reduced expectations of a sub-3% terminal rate

### Exhibit 17: I expect the Fed to cut rates to a terminal rate:

Sub 3% terminal rates far less likely



Source: BofA Global Research FX and Rates Sentiment Survey

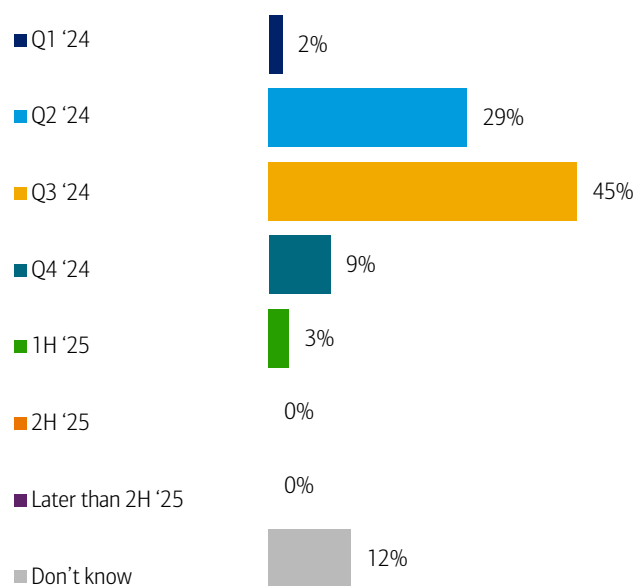
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Fed communication suggests a consensus on QT hasn't been reached. Our survey suggests the consensus is 3Q, although several (including us) expect 2Q

#### Exhibit 18: Most likely timing of Fed QT to be slowed:

3Q seen as most likely timing for Fed to slow QT



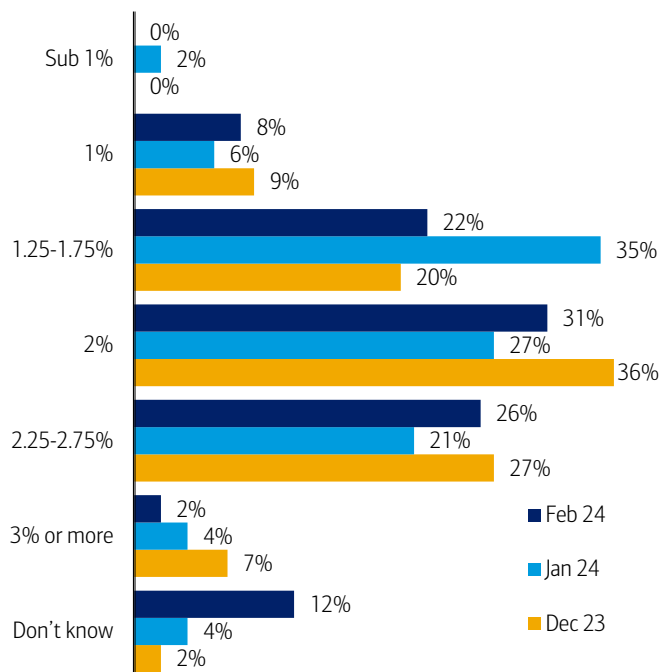
Source: BofA Global Research FX and Rates Sentiment Survey

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ECB terminal rate expectations have adjusted higher despite concerns around ECB surprising dovishly near-term

#### Exhibit 19: I expect the ECB to cut rates to a terminal rate:

ECB terminal rate expectations moved higher



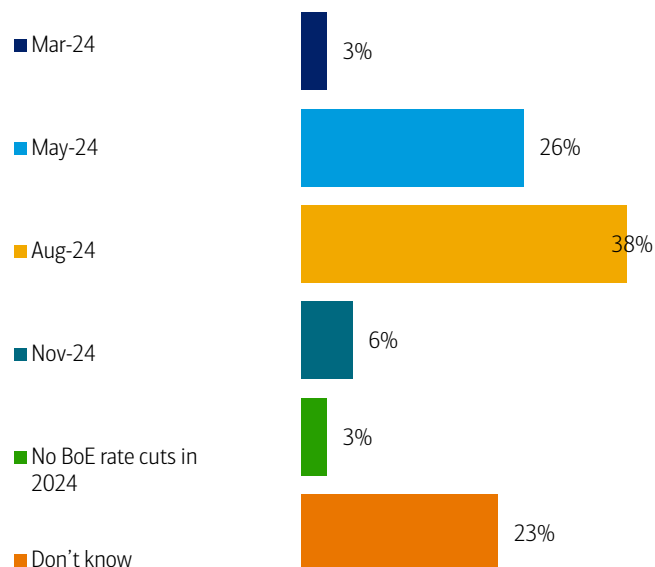
Source: BofA Global Research FX and Rates Sentiment Survey

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August edges out May as the most likely timing for the first BoE rate cut, in line with our base case

#### Exhibit 20: I expect the first BoE rate cut in:

Aug '24 seen as most likely meeting for first cut.



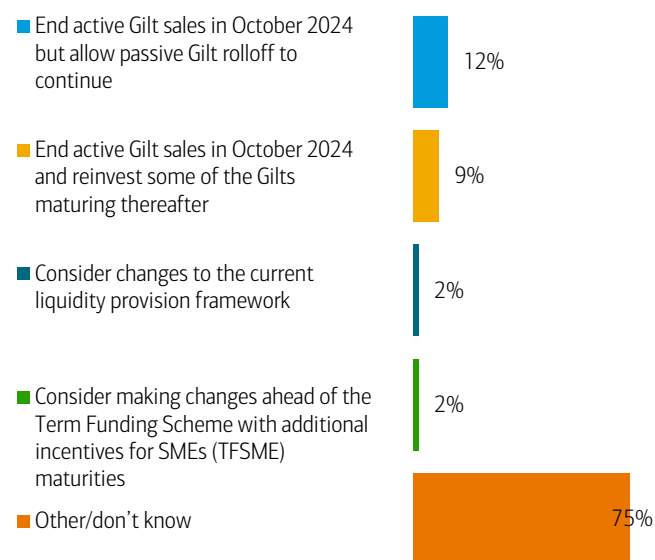
Source: BofA Global Research FX and Rates Sentiment Survey

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...but little conviction on the BoE balance sheet policy

#### Exhibit 21: BoE reserves are set to drop towards the Preferred Minimum Range of Reserves (PMR) by end-2025, if not sooner. I expect the BoE to:

Little conviction on BoE balance sheet policy



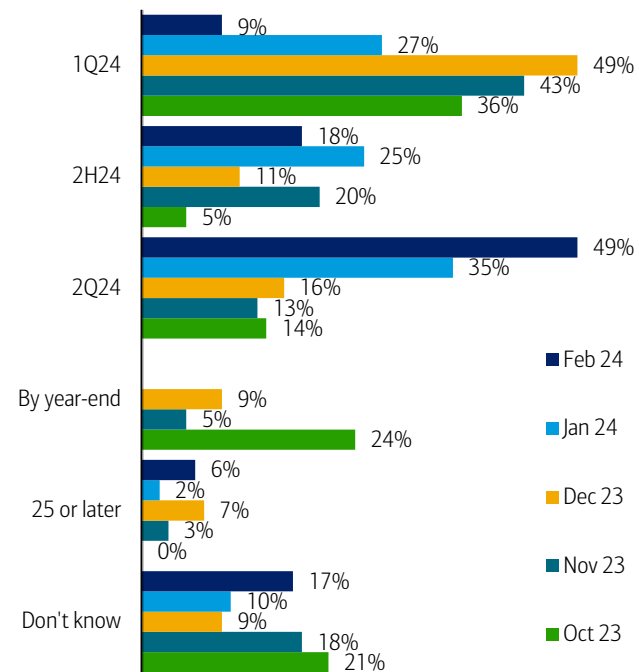
Source: BofA Global Research FX and Rates Sentiment Survey

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More conviction around NIRP removal in 2Q rather than March

## Exhibit 22: When do you think BoJ will remove NIRP?

2Q seen as most likely timing of NIRP removal



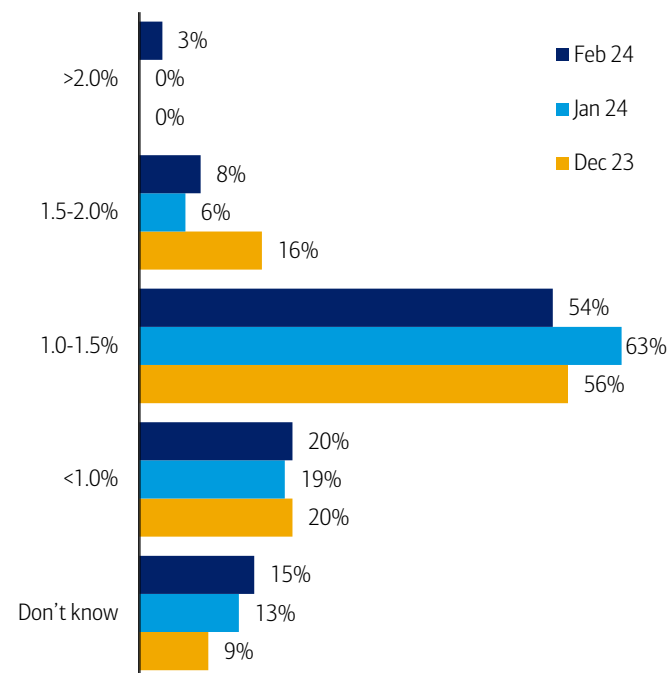
Source: BofA Global Research FX and Rates Sentiment Survey

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10y JGB yields widely expected to trade above 1.0% after NIRP and YCC removal

## Exhibit 23: Where do you see 10y JGBs trade after NIRP and YCC removal:

1.0%-1.5% is the consensus range



Source: BofA Global Research FX and Rates Sentiment Survey

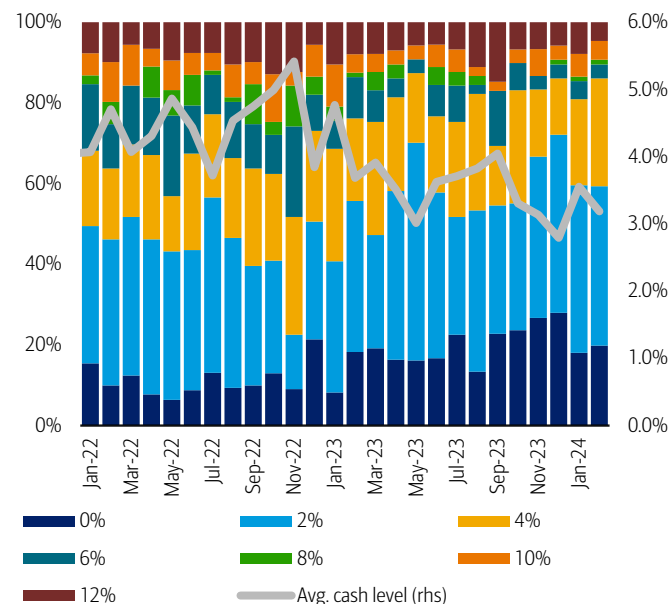
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# Global Risk Appetite

## Exhibit 24: Which of the following comes closest to your current cash position in your portfolio?

Average cash levels at 3.2%

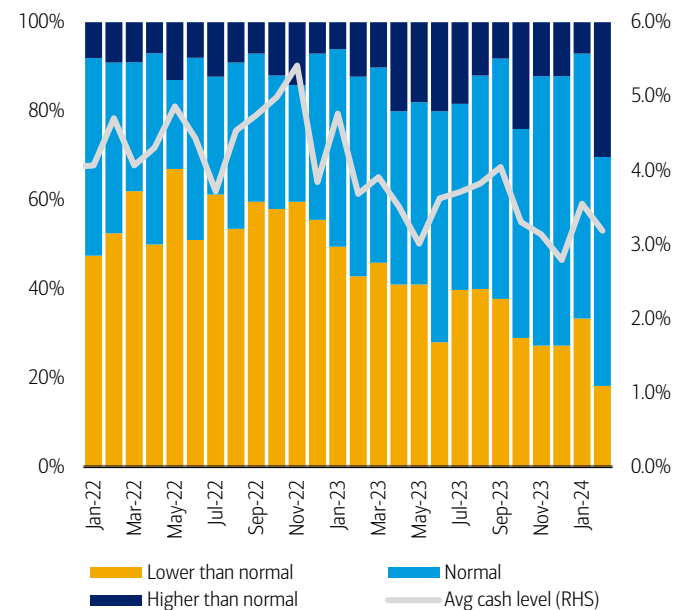


Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 25: What level of risk do you feel you're currently taking in your investment strategy / portfolio, relative to your benchmark?

Appetite for risk taking in portfolios now skewed higher than normal

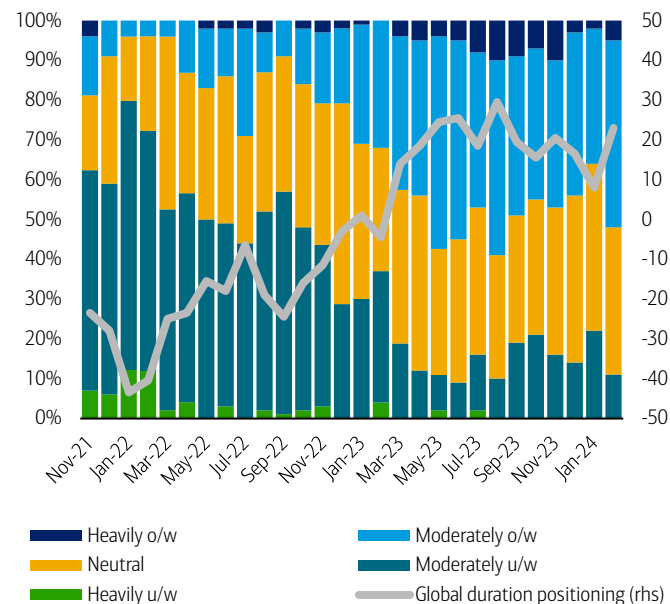


Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 26: Duration exposure: Global

Global duration exposure picked up...



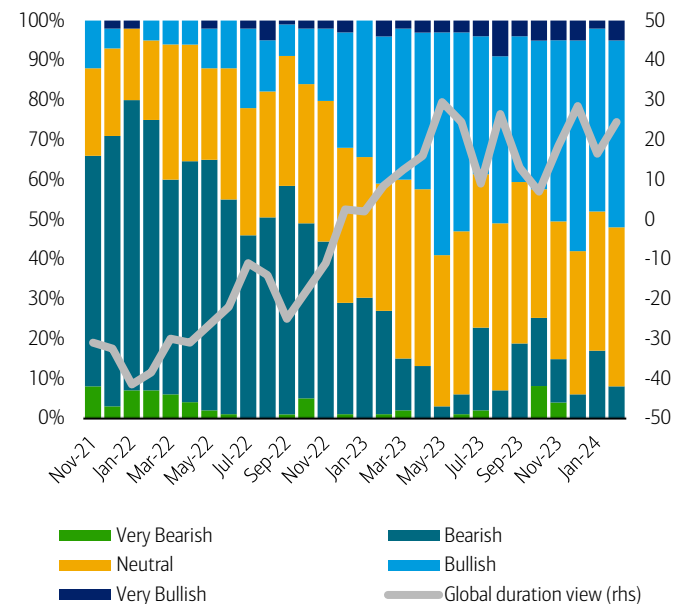
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 27: Duration view: Global

...in line with views



Source: BofA Global Research FX and Rates Sentiment Survey

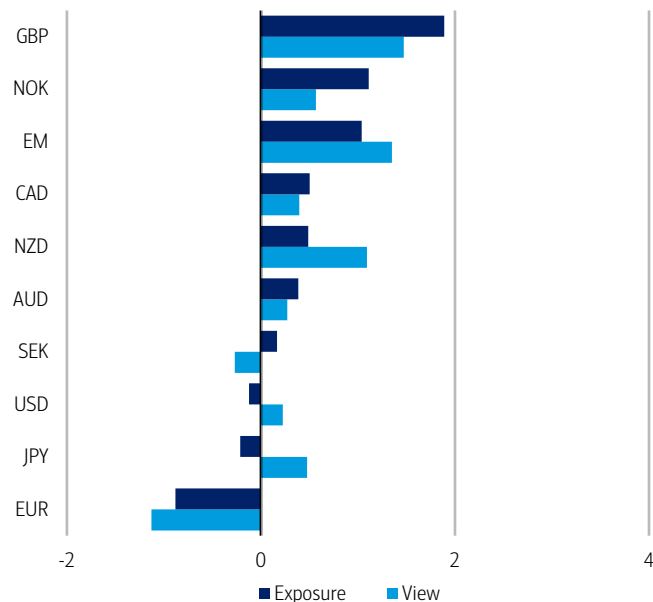
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# Positioning and View Summary

## Exhibit 28: 1-year FX Exposure and View (z-score)

EURGBP bearishness stands out within a 1Y timeframe

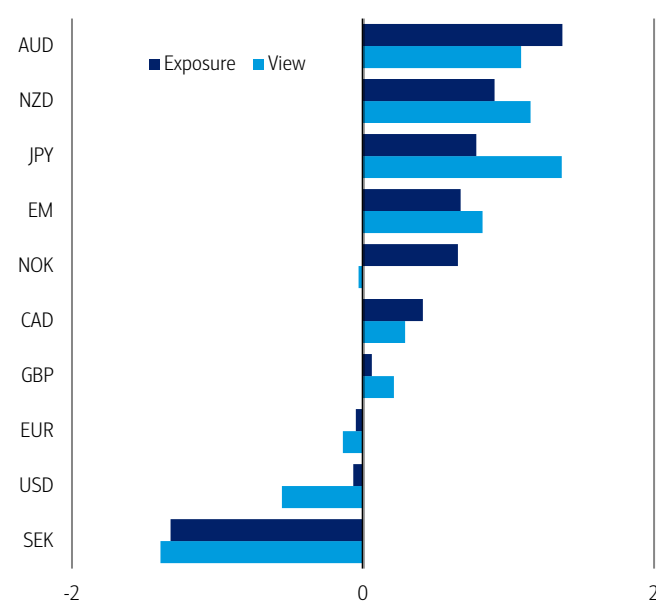


**Source:** BofA Global Research FX and Rates Sentiment Survey; Note: Data for FX Exposure starts in January 2004 for USD, EUR, GBP, JPY, CAD and EM, while for AUD, NZD, NOK and SEK the start date is January 2016; Data for FX View starts in December 2011 for USD, EUR, GBP, JPY, CAD and EM, while for AUD, NZD, NOK and SEK the start date is January 2016

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## Exhibit 29: Full period FX Exposure & View (z-score)

Over a longer time-frame, AUD longs and SEK shorts still stand out

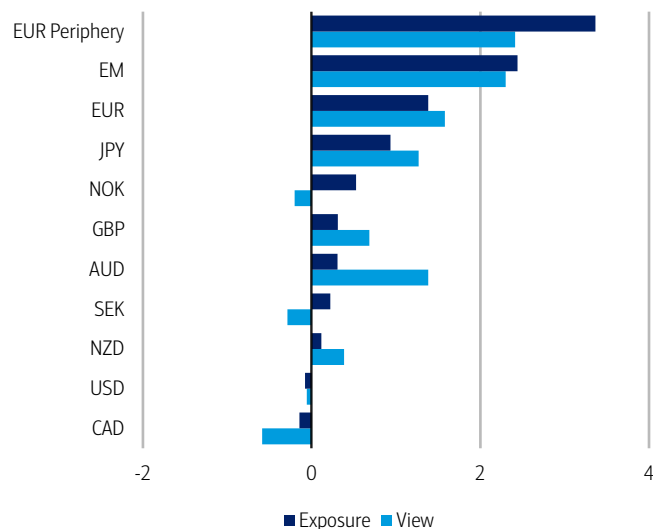


**Source:** BofA Global Research FX and Rates Sentiment Survey; Note: Data for FX Exposure starts in January 2004 for USD, EUR, GBP, JPY, CAD and EM, while for AUD, NZD, NOK and SEK the start date is January 2004; Data for FX View starts in December 2011 for USD, EUR, GBP, JPY, CAD and EM, while for AUD, NZD, NOK and SEK the start date is January 2016

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## Exhibit 30: 1-year Rates Exposure & View (z-score)

EUR periphery rates exposure now tops the ranking...

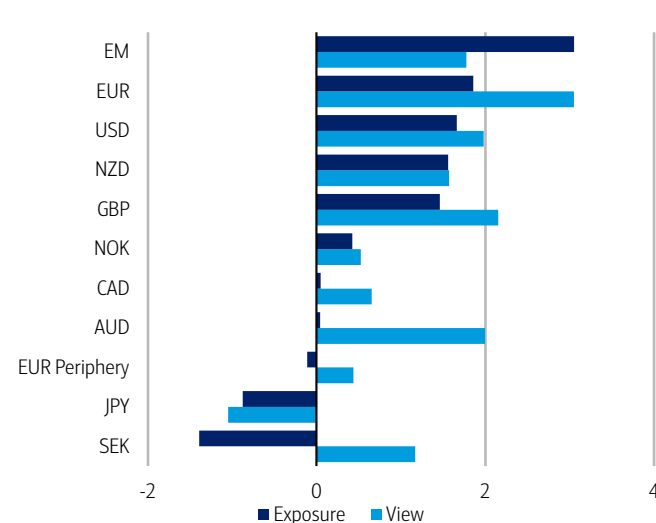


**Source:** BofA Global Research FX and Rates Sentiment Survey; Note: Data for Rates Exposure starts in January 2004 for USD, EUR, GBP, JPY, CAD and EM, while for AUD, NZD, NOK and SEK the start date is January 2016 and EUR periphery starts in April 2013. Data for Rates View starts in December 2011 for USD, EUR, GBP, JPY, CAD and EM, while for AUD, NZD, NOK and SEK the start date is January 2016 and EUR periphery starts in April 2013.

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## Exhibit 31: Full period Rates Exposure & View (z-score)

...but EM leads in a longer timeframe



**Source:** BofA Global Research FX and Rates Sentiment Survey; Note: Data for Rates Exposure starts in January 2004 for USD, EUR, GBP, JPY, CAD and EM, while for AUD, NZD, NOK and SEK the start date is January 2016 and EUR periphery starts in April 2013. Data for Rates View starts in December 2011 for USD, EUR, GBP, JPY, CAD and EM, while for AUD, NZD, NOK and SEK the start date is January 2016 and EUR periphery starts in April 2013.

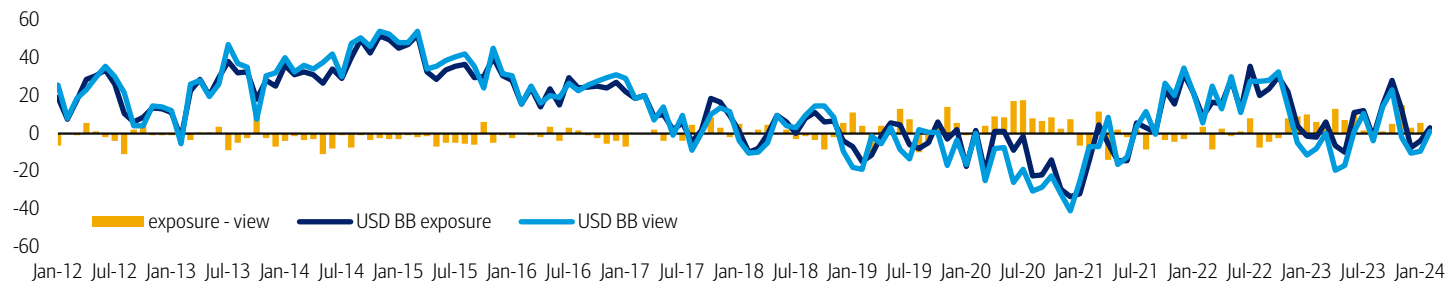
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# United States

USD positioning turned neutral, in line with views (Exhibit 32) and our FX flows ([FX flows in '24 8 Feb 24](#)). Duration longs up, in line with sentiment (Exhibit 33) – despite sharply reduced expectations of a sub-3% Fed terminal rate – suggestive of investors buying on dips, in line with our views.

## Exhibit 32: FX exposure and view: USD

USD positioning turned neutral, in line with views



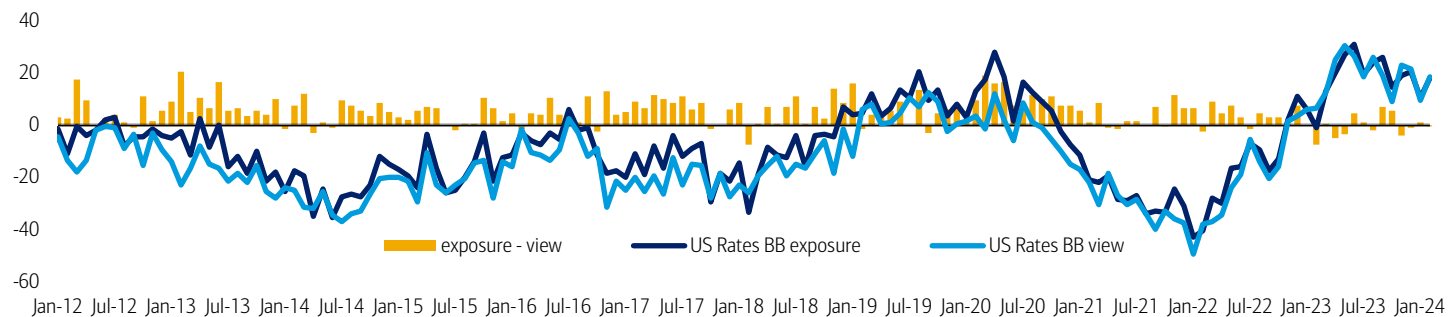
Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 33: Duration exposure and view: USD

Duration longs up, in line with sentiment



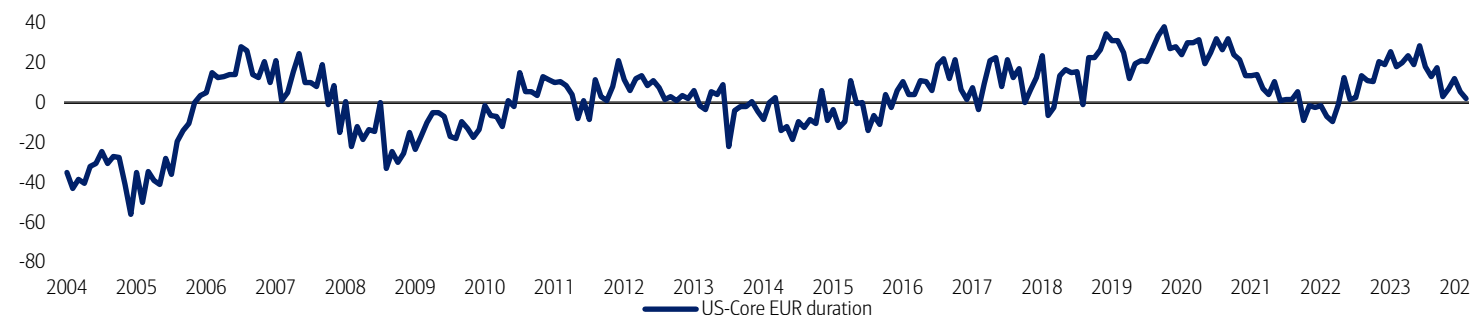
Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 34: US-Core Europe Duration Exposure

US vs Core EUR Bull-Bear rates exposure spread



Source: BofA Global Research FX and Rates Sentiment Survey

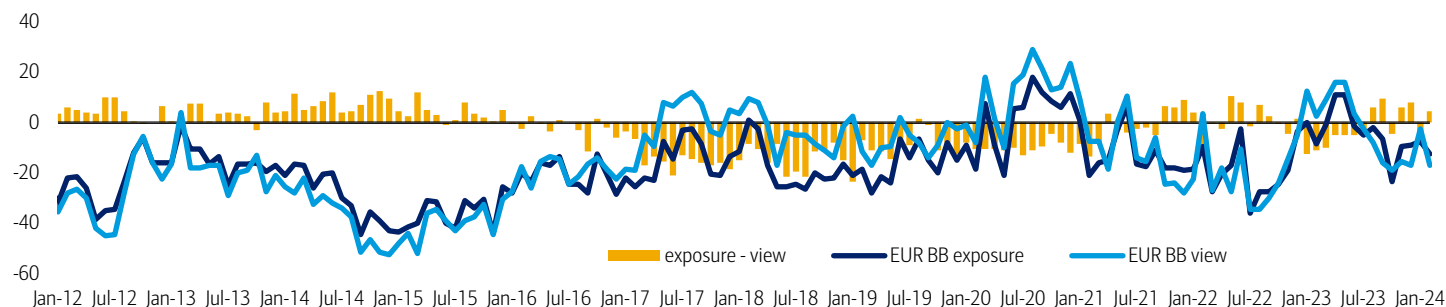
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# Eurozone

EUR came under some pressure in line with the more bearish sentiment (Exhibit 35). Meanwhile, core EUR duration exposure rose to its highest level since 2012 (Exhibit 36), with investors likely buying dips in the past weeks and demand consistent with the record book sizes at EGB syndications. Views even more bullish than positions. Periphery duration exposure also up, turning overweight for the 1<sup>st</sup> time since Nov-21 (Exhibit 37).

## Exhibit 35: FX exposure and view: EUR

EUR exposure moved lower in line with more bearish EUR sentiment



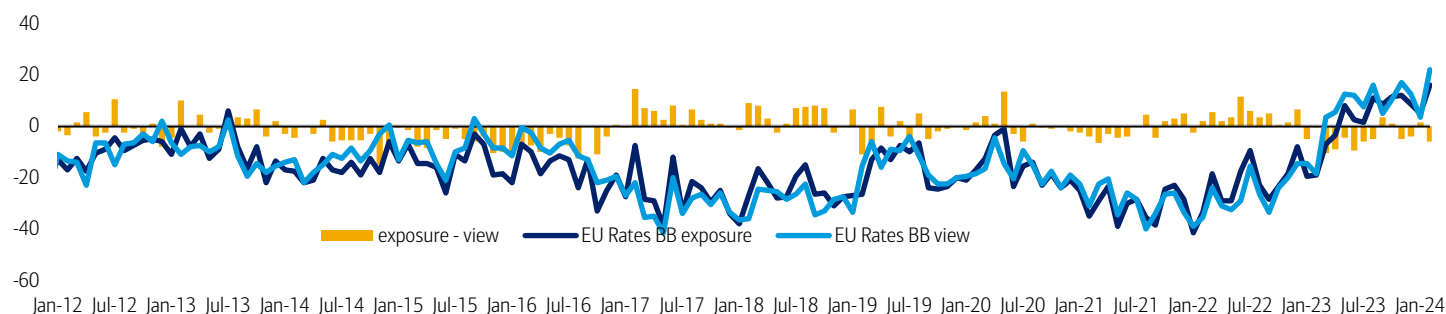
Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 36: Duration exposure and view: Core Europe

Core EUR duration exposure rose to its highest level since our survey started



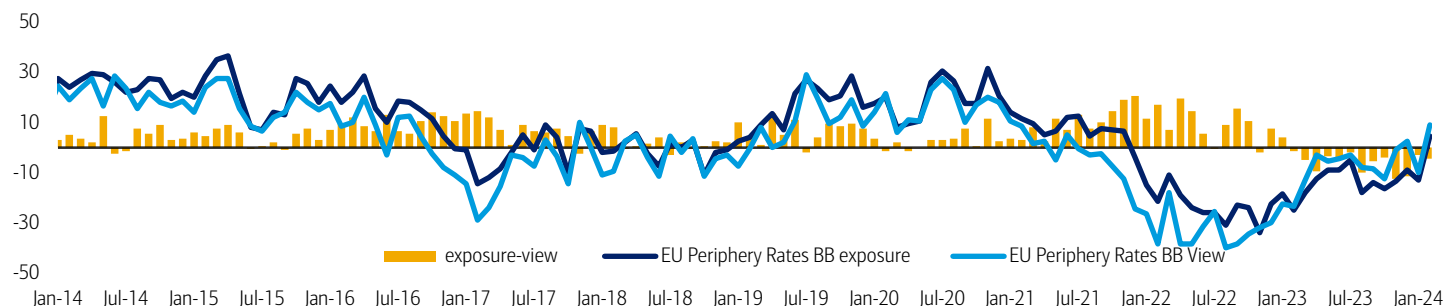
Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 37: Duration exposure and view: Peripheral Europe

Periphery duration exposure also up, turning overweight for the 1<sup>st</sup> time since Nov-21



Source: BofA Global Research FX and Rates Sentiment Survey

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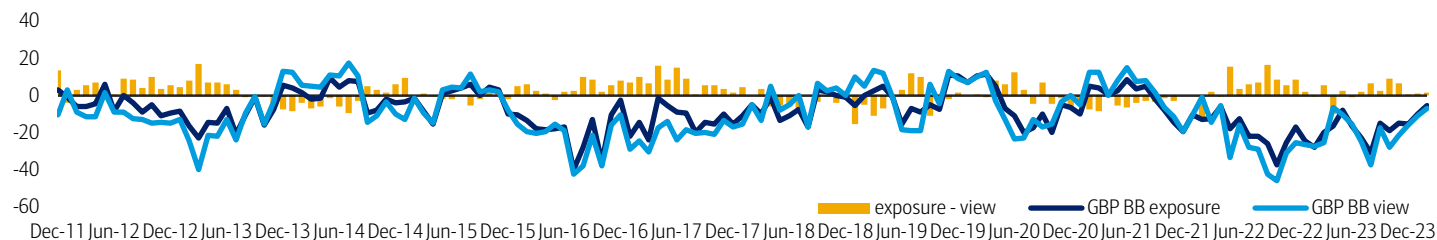
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# United Kingdom

GBP FX positions improved further, to an almost neutral level, in line with sentiment (Exhibit 38). GBP duration exposure and views moved largely sideways (Exhibit 39).

## Exhibit 38: FX exposure and view: GBP

GBP FX positions improved further, to an almost neutral level, in line with sentiment



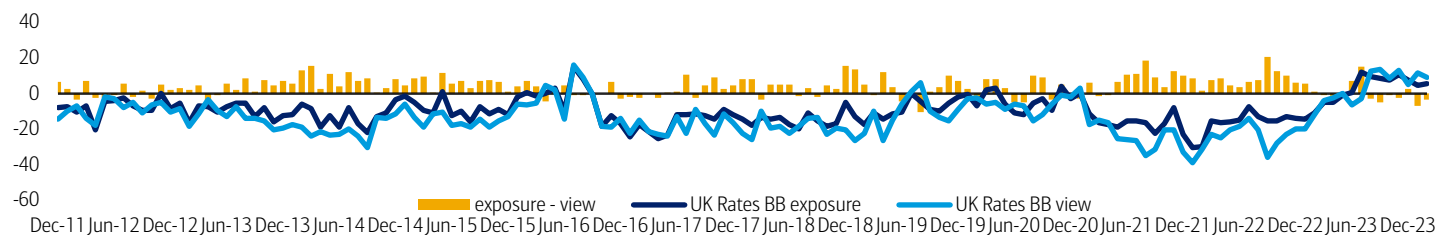
Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 39: Duration exposure and view: UK

GBP duration exposure and views moved largely sideways



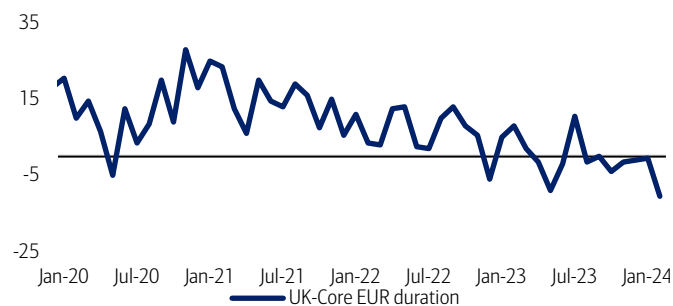
Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 40: UK-Core Europe Duration Exposure

UK vs Core EUR Bull-Bear rates exposure spread

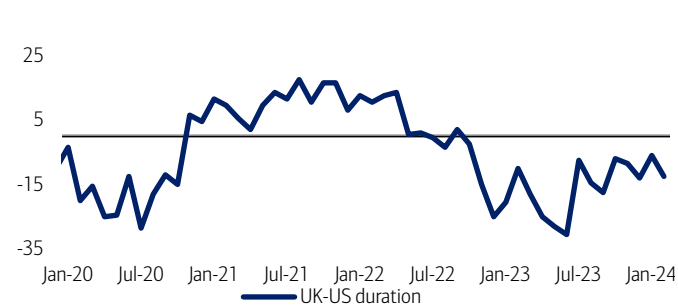


Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 41: UK-US Duration Exposure

UK vs US Bull-Bear rates exposure spread



Source: BofA Global Research FX and Rates Sentiment Survey

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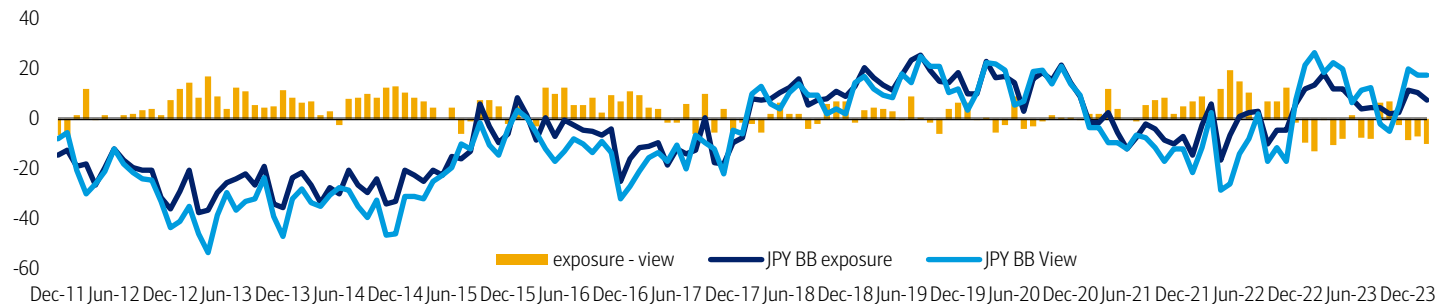


# Japan

JPY exposure continues to lag view, with both moving slightly lower vs last month (Exhibit 42). Meanwhile, investors slightly pared back their duration shorts in line with sentiment (Exhibit 43).

## Exhibit 42: FX exposure and view: JPY

JPY exposure continues to lag view, with both moving slightly lower vs last month



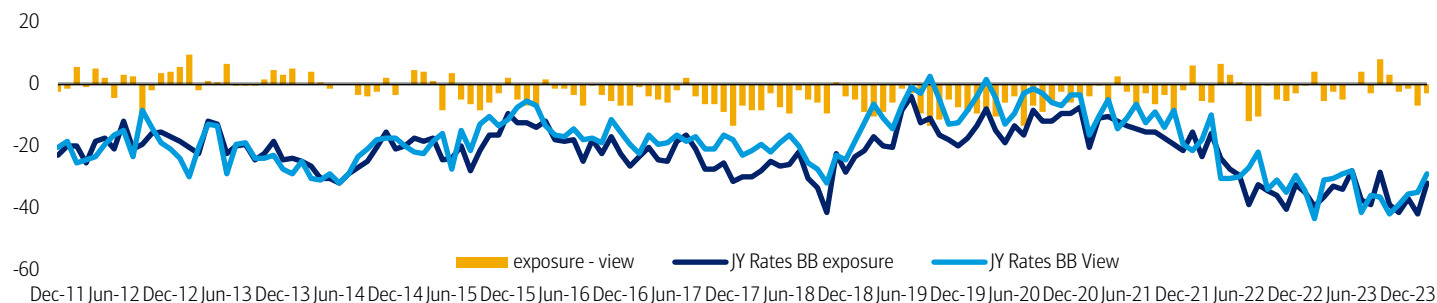
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 43: Duration exposure and view: JY

Investors slightly pared back their duration shorts in line with sentiment



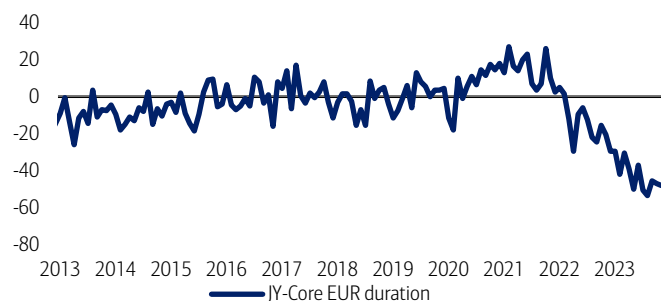
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 44: JY-Core Europe Duration Exposure

JY vs Core Europe Bull-Bear rates exposure spread

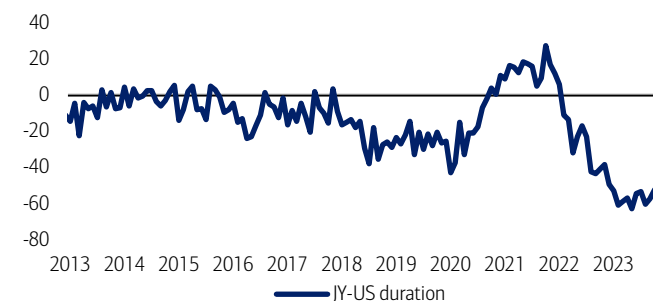


Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 45: JY-US Duration Exposure

JY vs US Bull-Bear rates exposure spread



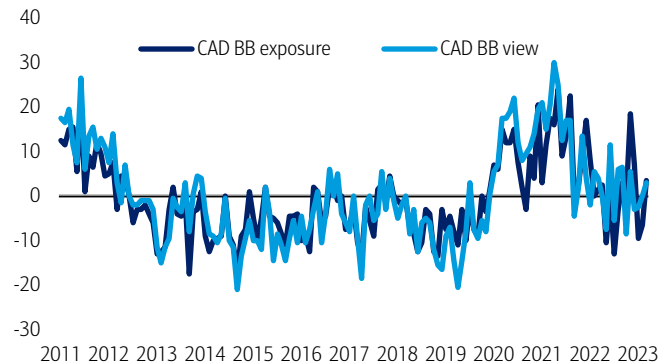
Source: BofA Global Research FX and Rates Sentiment Survey

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# Canada, Australia and New Zealand

## Exhibit 46: FX exposure and view: CAD

Largely neutral CAD exposure and sentiment



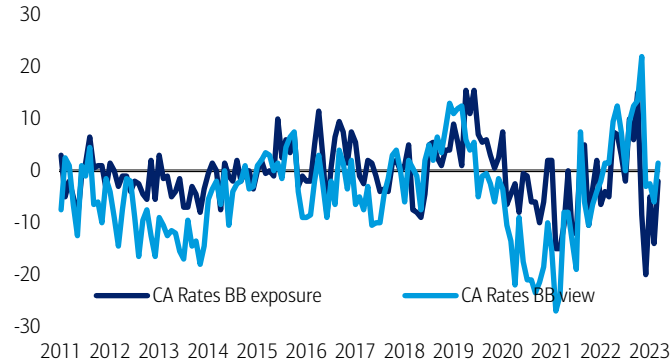
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 47: Duration exposure and view: CA

CA duration shorts pared back



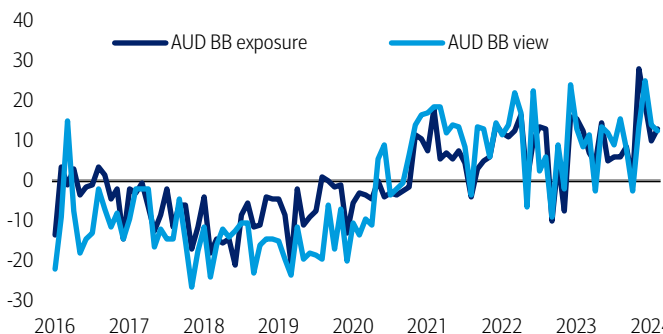
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 48: FX exposure and view: AUD

AUD longs reduced slightly further in line with sentiment



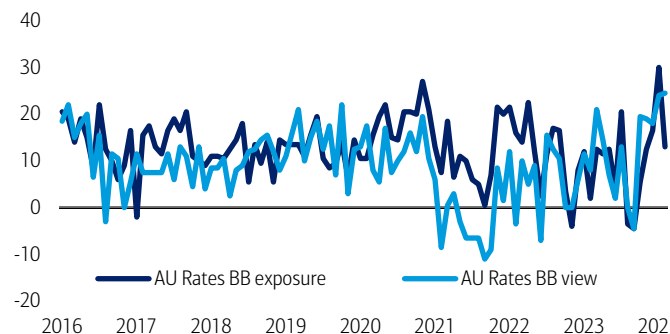
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 49: Duration exposure and view: AU

But AU duration longs partly pared back despite more bullish sentiment



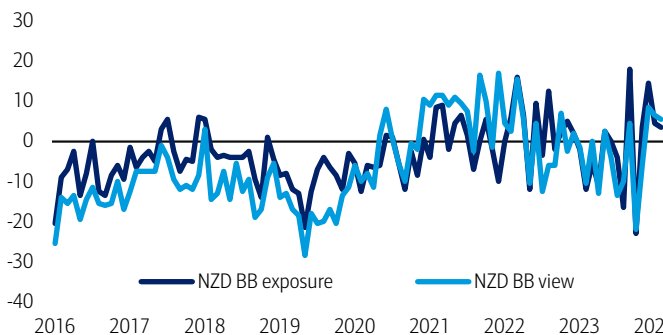
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 50: FX exposure and view: NZD

NZD positions and views close to neutral



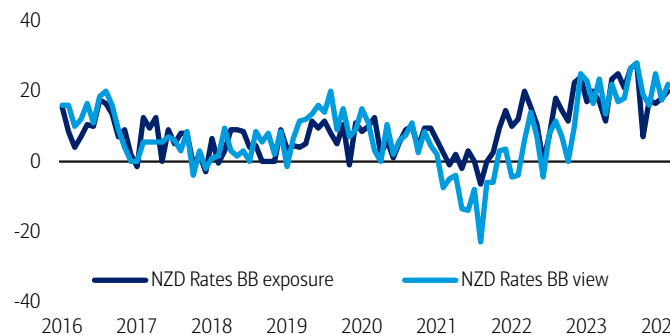
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 51: Duration exposure and view: NZD

Meanwhile, durations longs & sentiment little changed



Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

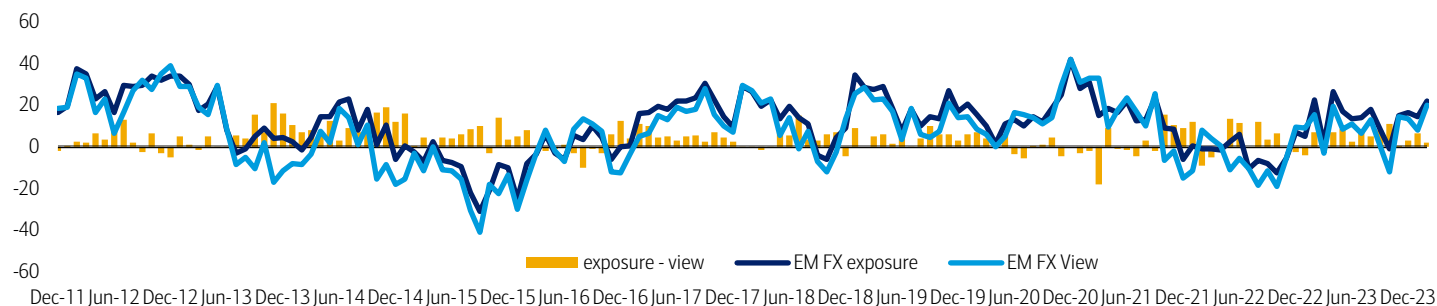
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# Emerging Markets exposure and views

EM FX positioning and sentiment improved in February vs January (Exhibit 52). Duration is in the spotlight as duration exposure is at records (Exhibit 53).

## Exhibit 52: FX exposure and view: EM

Improving sentiment reflected in increased exposure in February



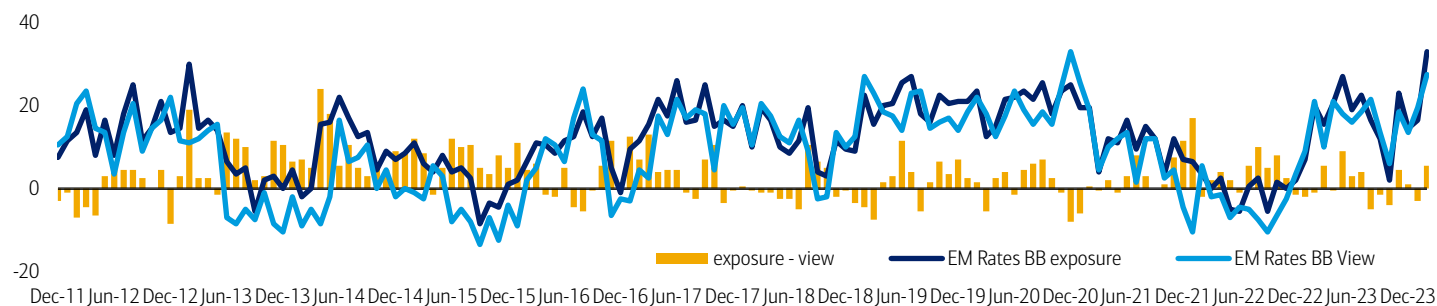
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 53: Duration exposure and view: EM

Sentiment improved to the best since post-COVID, exposure jumps to records



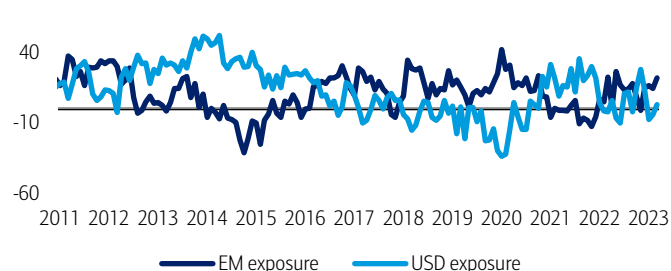
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 54: EM and USD FX exposure

EM vs US Bull-Bear fx exposure spread

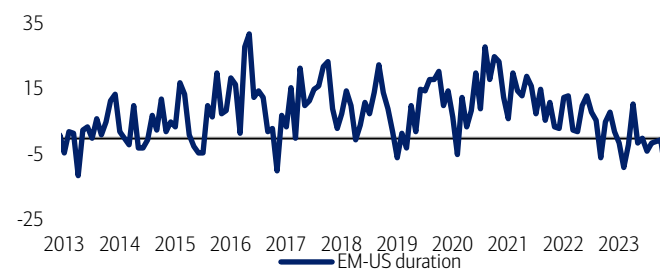


Source: BofA Global Research FX and Rates Sentiment Survey

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## Exhibit 55: EM vs. US duration exposure

EM vs US Bull-Bear rates exposure spread



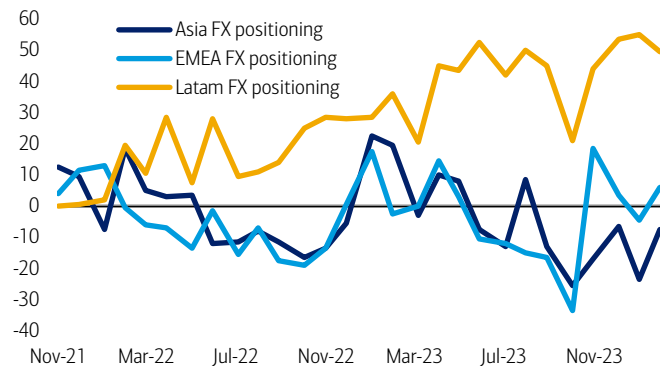
Source: BofA Global Research FX and Rates Sentiment Survey

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# Regional EM Rates Positioning and View

## Exhibit 56: FX positioning

LamAm longs are off records, turning more positive EMEA/Asia



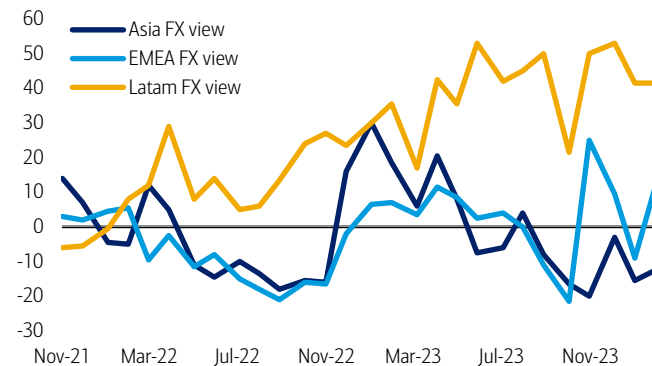
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 57: FX view

EMEA FX sentiments are improving, stable in LatAm/Asia



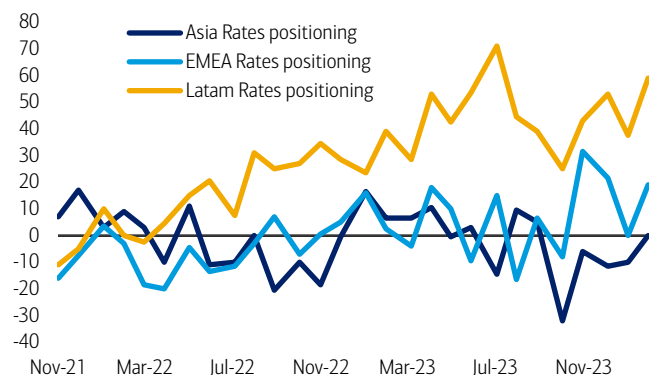
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 58: Rates local currency positioning

Spike of demand in LatAm/EMEA, closing shorts in Asia



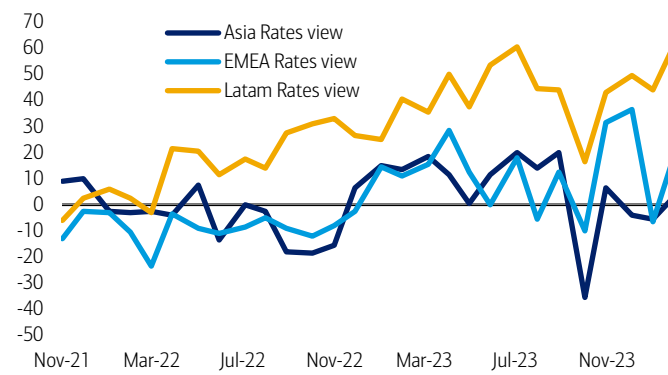
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 59: Rates local currency view

Sentiment improves across the board, most in LatAm/EMEA



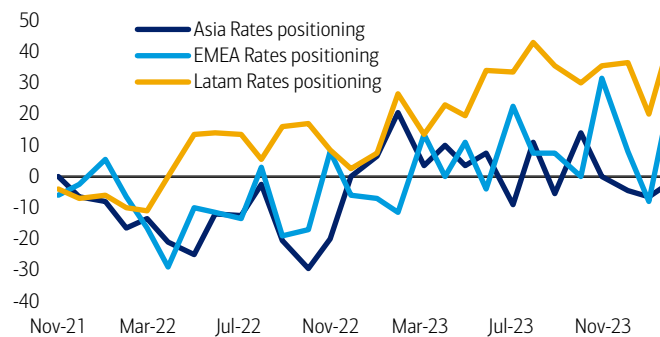
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 60: Rates hard currency positioning

Spike of demand in LatAm/EMEA, now neutral in Asia



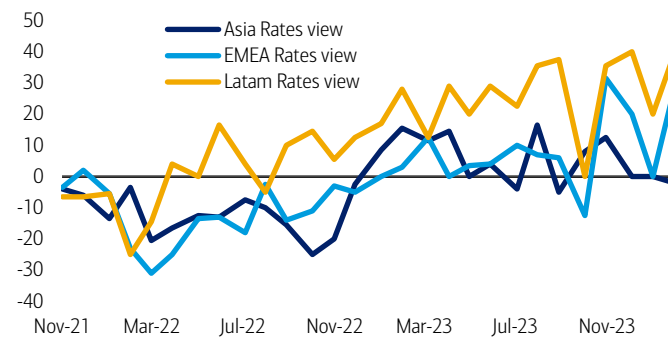
Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

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## Exhibit 61: Rates hard currency view

Sharply better sentiments in EMEA/LatAm, weaker in Asia



Source: BofA Global Research FX and Rates Sentiment Survey

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. See appendix for formulas.

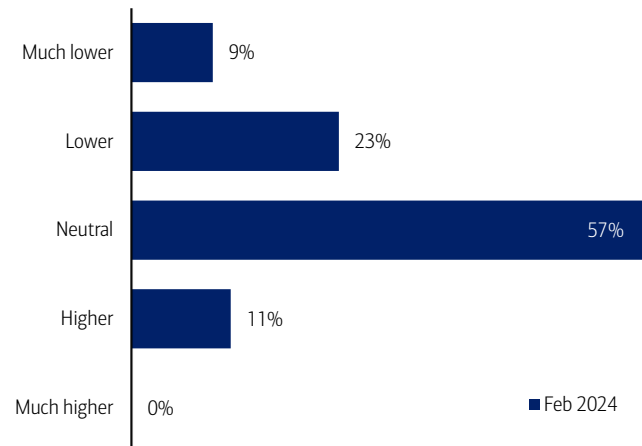
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## EM asset class positioning

Investors were underweight cash vs. overweight their EM exposure in February. Main focus is on EM local debt, although investors are OW EM credit as well.

### Exhibit 62: How would you describe your current cash level in your EM portfolio vs average?

Investors are neutral to underweight cash in their portfolios

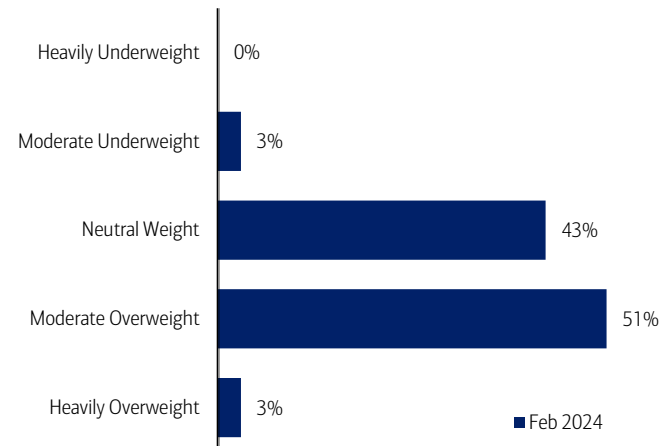


Source: BofA Global Research FX and Rates Sentiment Survey

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### Exhibit 63: How would you describe the exposure of your portfolio to oil exporters vs average?

Investors are neutral to slight overweight oil exporters

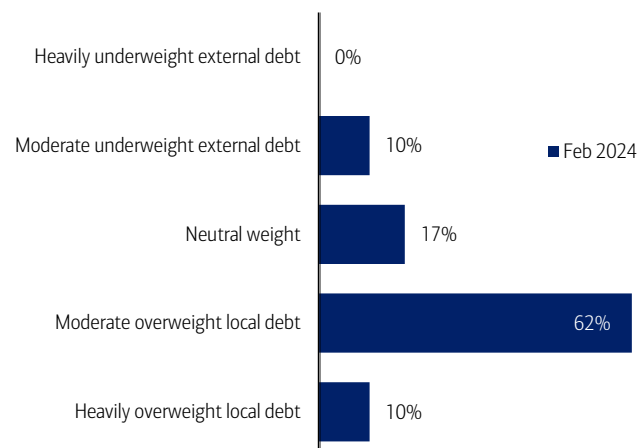


Source: BofA Global Research FX and Rates Sentiment Survey

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### Exhibit 64: How would you describe the exposure of your portfolio to EM local vs external debt vs average?

Overwhelming overweight local debt, although a moderate one

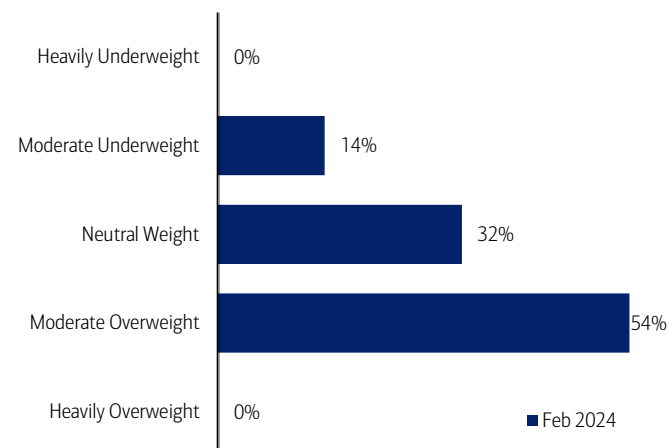


Source: BofA Global Research FX and Rates Sentiment Survey

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### Exhibit 65: How would you describe the exposure of your EM hard currency debt portfolio to high yield debt vs average?

Investors are net overweight EM EXD



Source: BofA Global Research FX and Rates Sentiment Survey

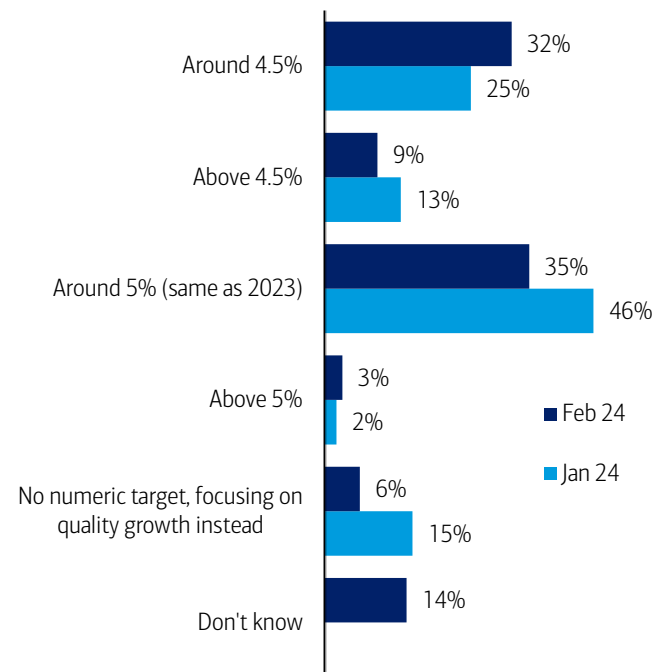
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## EM theme views

Investors' outlook on Chinese growth has deteriorated in February as more people now expect a slowdown from 2023

### Exhibit 66: What do you think is China's GDP growth target for 2024?

Majority now expects this year growth below 2023 levels



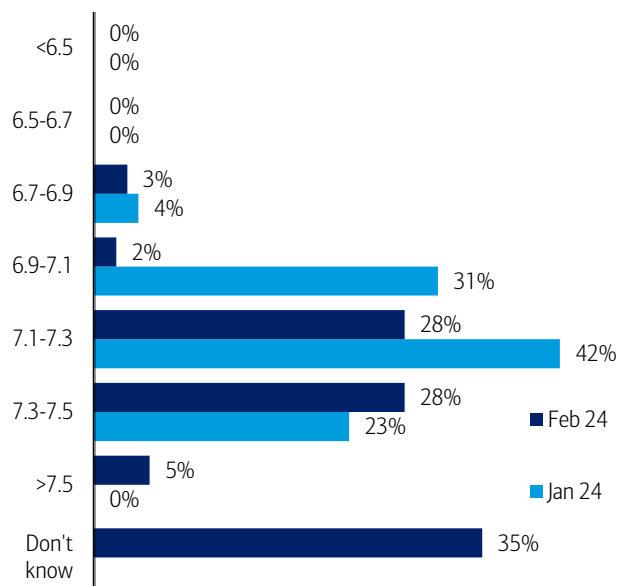
Source: BofA Global Research FX and Rates Sentiment Survey

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Investors have a bias towards a higher USDCNY this year on average, although most see it within 7.1-7.5

### Exhibit 67: What is your expectation for the average USDCNY exchange rate in 2024:

Share of investors seeing USDCNY above 7.3 is growing



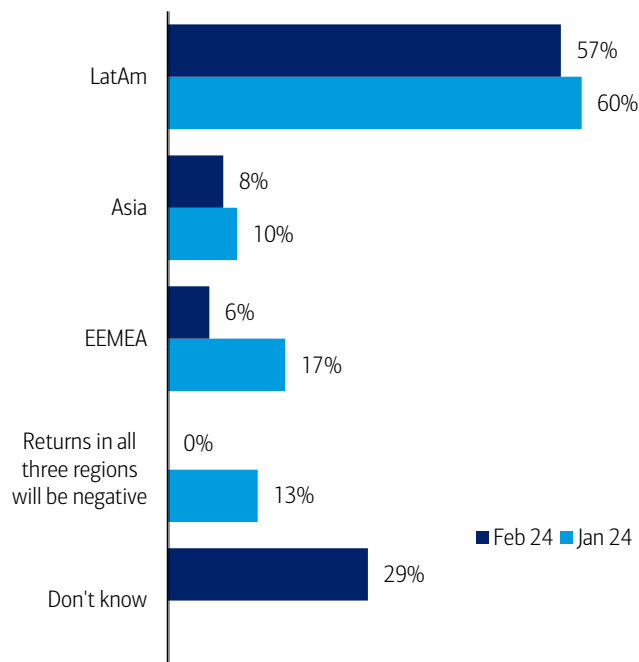
Source: BofA Global Research FX and Rates Sentiment Survey

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Investors remain most optimistic on total returns in LatAm, EEMEA optimism fades, however none expects negative returns this year

#### Exhibit 68: Which EM region is likely to have the highest total return for FX-unhedged positions in local bonds in 2024?

Strong consensus for LatAm remains



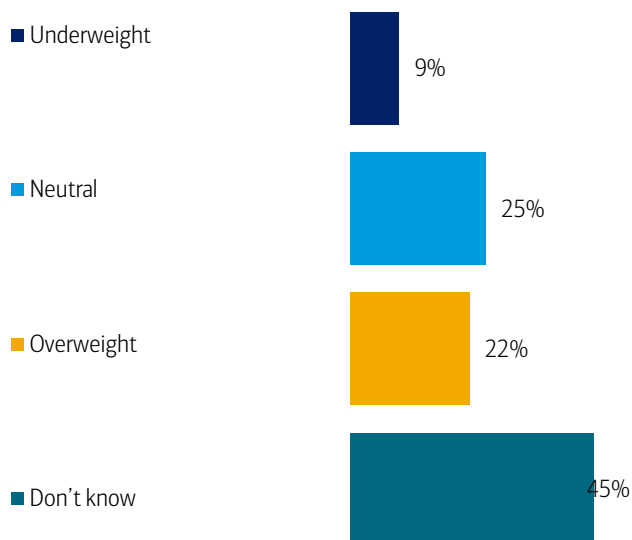
Source: BofA Global Research FX and Rates Sentiment Survey

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Investors are neutral to overweight in EM issuer bonds

#### Exhibit 69: In your global credit portfolio, what is your current positioning in EM issuer bonds?

More overweights than underweights, although most are neutral



Source: BofA Global Research FX and Rates Sentiment Survey

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# A Guide to the BofA Global Investor Survey

Our survey was conducted between 2 February 2024 and 07 February 2024. A total of 96 global fixed income fund managers responded to the survey. Responses came from the UK, Continental Europe, APAC and the US.

Our monthly survey has asked the same two questions since its May 1989 start date: “Relative to your own benchmark: 1) How is your portfolio structured in terms of currency exposure? and 2) How is your portfolio structured in terms of duration exposure?”. In December 2011 we added two questions: 1) “How would you describe your view on the following currencies? And 2) How would you describe your view on the following bond markets?”. Regarding “exposure” there are five responses from which to choose: Heavily Overweight, Moderately Overweight, Neutral, Moderately Underweight, and Heavily Underweight, while for “view” the equivalent responses are: Very Bullish, Bullish, Neutral, Bearish, and Very Bearish. In both cases responses are weighted to create a Bull-Bear index from -100 to 100, with zero representing neutral.

<sup>1</sup> The formula used to calculate the Bull-Bear Index (B/B) is as follows:

B/B (exposure) = (% Heavy Overweight \* 1.0) + (% Moderately Overweight \* 0.5) + (% Neutral \* 0) - (% Moderately Underweight \* 0.5) - (% Heavily Underweight \* 1.0).

B/B (view) = (% Very Bullish \* 1.0) + (% Bullish \* 0.5) + (% Neutral \* 0) - (% Bearish \* 0.5) - (% Very Bearish \* 1.0)

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