

Liquid Insight

BoE Preview: Holding Firm

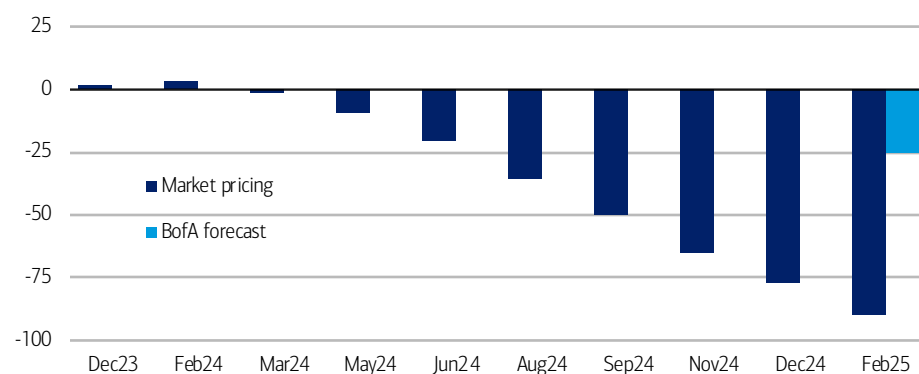
Key takeaways

- Expect no change from BoE with 6-3 split. Policy still constrained by supply side shocks and higher service sector inflation
- FX: Market placing little weight on meeting. GBP looks rich vs UK rates with risk backdrop the key driver for higher GBP.
- Rates: BoE's reluctance to guide strongly might impact short SFIZ4 vs. ERZ5. We outline our thoughts about QT bucket changes.

By Robert Wood, Mark Capleton, Kamal Sharma & Agne Stengeryte

Chart of the Day: MPC-dated Sonia Bank Rate hike exp. vs. BofA f'casts, bp

SONIA market expects first full cut by mid-year



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Steady Eddy

We expect the Bank of England (BoE) to keep Bank Rate and guidance unchanged at this week's policy meeting. We expect a 6-3 vote in favour. Yes, the risk of a first cut earlier than we currently expect has increased, but at the same time, while there have been a couple of encouraging data prints, we see persistent inflation problems. Services inflation has fallen below the BoE's forecasts but at 6.6% it is hardly comforting. Two dovish data points since the BoE's last meeting suggest significant progress in returning inflation to target. Three-month annualised headline and core inflation dropped to around 2%. Meanwhile, annualised monthly ex-bonus private wage growth fell to 1.6% in September, the weakest since February 2022.

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.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 6 to 8. Analyst Certification on page 5. 12636295

Timestamp: 12 December 2023 01:49AM EST

12 December 2023

Rates and Currencies Research
GlobalGlobal Rates & Currencies Research
MLI (UK)

Robert Wood
UK Economist
MLI (UK)
+44 20 7996 7415
robert.d.wood@bofa.com

Mark Capleton
Rates Strategist
MLI (UK)
+44 20 7995 6118
mark.capleton@bofa.com

Kamal Sharma
FX Strategist
MLI (UK)
+44 20 7996 4855
ksharma32@bofa.com

Agne Stengeryte, CFA
Rates Strategist
MLI (UK)
+44 75 41694477
agne.stengeryte@bofa.com

Adarsh Sinha
FX Strategist
Merrill Lynch (Hong Kong)
+852 3508 7155
adarsh.sinha@bofa.com

Janice Xue
Emerging Asia FI/FX Strategist
Merrill Lynch (Hong Kong)
+852 3508 8587
janice.xue@bofa.com

See Team Page for List of Analysts

Liquid Insight

Recent Publications

- 11-Dec-23 [Dec FOMC: dovish hold & financial easing](#)
- 7-Dec-23 [History says duration rally has room to run](#)
- 6-Dec-23 [Room for improvement, BoE active QT might be going okay but could be better](#)
- 5-Dec-23 [Bank of Canada preview – On hold, unlikely to open door for cuts yet](#)
- 4-Dec-23 [RBA: A hawkish hold to end 2023](#)
- 30-Nov-23 [ECB balance sheet update](#)
- 29-Nov-23 [Fed ON RRP drop: hikes done + bank buffer](#)
- 28-Nov-23 [Good and bad news for USD bears](#)
- 27-Nov-23 [The FX anatomy of landing from different starting points](#)
- 22-Nov-23 [littery landings in G10 FX](#)

BofA GLOBAL RESEARCH

Too soon to claim victory

The BoE has previously guided that “Conditions were likely to warrant a restrictive policy stance being maintained until material progress had been made in returning inflation to the 2% target sustainably.” (Minutes of September policy meeting). A lot, of course, hangs on the definition of ‘material progress’. Slowing wage growth, headline inflation likely around 3% next March and April and core inflation slowing to 4% then could be seen as material progress, allowing a first rate cut mid-next year (June or August). Risks are rising that the BoE begins cutting rates earlier than our call of February 2025.

While there have been a couple of encouraging data prints, we see persistent inflation problems. Services inflation fell below the BoE’s forecasts but at 6.6% is hardly comforting. 3-month annualised core services inflation slipped to 4.3% in October, approaching a target consistent rate, but should rise above 5% when August’s weak print drops out of the average. Inflation data are volatile and seasonal adjustment tricky so we would not pin hopes of an early rate cut on October’s monthly numbers.

On top of this, the labour market continues to pose a problem for the MPC. Ex-bonus annualised pay growth was weak in September, but including bonuses monthly annualised pay growth was 13% in September. Regular pay growth seems to be slowing most in non-service industries. Vacancies remain 16% higher than December 2019 and most surveys point to stable employment. Surveys on balance suggest improving growth, as real wage growth returns, which will slow loosening of capacity pressures.

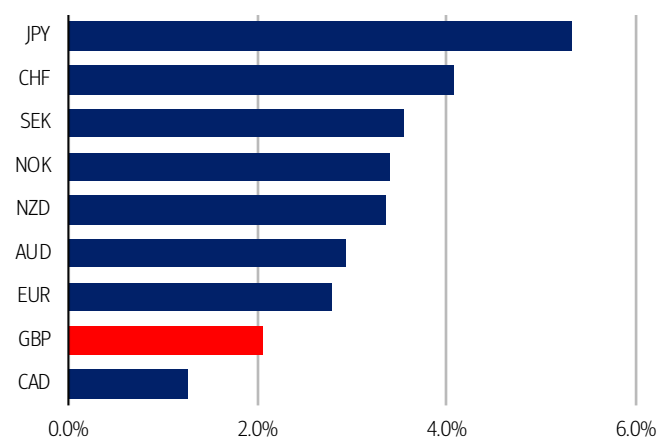
The UK remains an outlier in our view. The passthrough of energy prices and global goods price increases appears to be fading but unique supply shocks (Brexit, workforce sickness) leave UK domestic inflation more persistent. However, despite our view that the BoE will be amongst the last to normalize policy, we do not see higher for longer rates as a positive narrative for UK assets.

FX: A non-event for GBP

In a week packed with G10 central bank meetings, the BoE is not at the top of markets agendas in terms of event risk. Exhibit 1 & Exhibit 2 look at the 1mth change in 1wk implied volatility versus both USD and EUR. Both charts show that the options market is not assigning a significant amount of event risk to the BoE meeting.

Exhibit 1: 1mth change in 1wk implied vol vs USD

GBP Event risk around BoE meeting is low vs USD

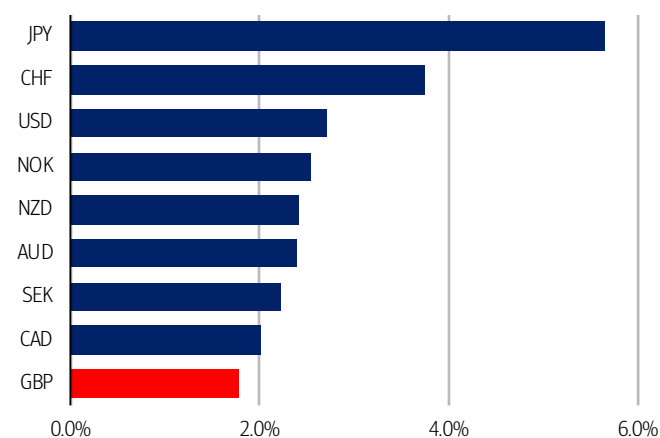


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 2: 1mth change in 1wk implied vol vs EUR

And versus EUR.



Source: BofA Global Research, Bloomberg

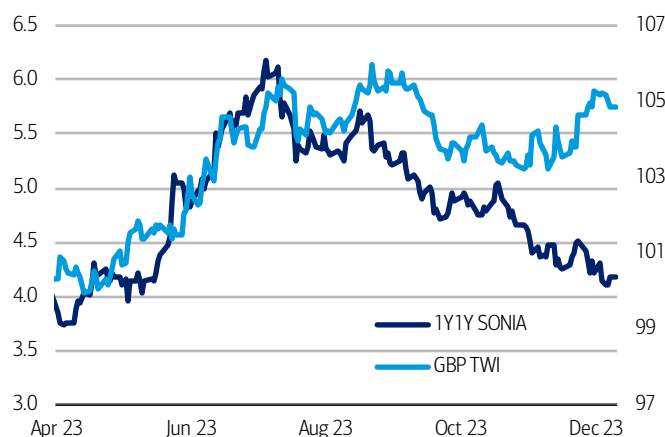
BofA GLOBAL RESEARCH

This makes sense to us given Thursday is a non-QIR meeting and as described above, though inflation indicators are moving towards the BoE, Thursday should be a holding statement and a further reiteration that the market is wrong to price in early rate cuts.

For GBP, we doubt that the BoE attempt to recalibrate rate expectations is a material win for the currency. The recent GBP adjustment has taken place against the backdrop of the pricing out of rate cuts at the front-end on the back of stronger data. However, with signs that positive data surprises are running out of steam, higher rates (absolute and relative) are unlikely to be the panacea for sterling. Our analysis suggests that the rally in GBP has been excessive relative to the move in SONIA as shown in Exhibit 3.

Exhibit 3: GBP TWI versus 1Y1Y SONIA

GBP TWI looks rich compared to move in SONIA

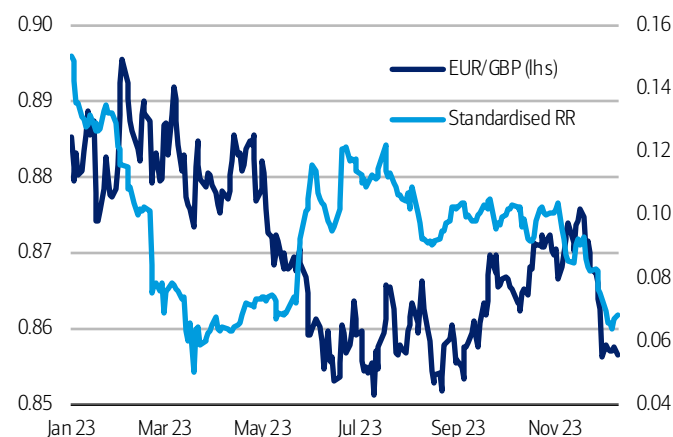


Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

Exhibit 4: EUR/GBP vs 3mth standardized risk reversal

Relative move in rates is feeding into skew



Source: BofA Global Research, Bloomberg

BofA GLOBAL RESEARCH

We believe that the benign backdrop for risk has been a supportive factor for high beta currencies such as GBP but the relative move in EUR-UK rates has pushed options skew more favourably towards GBP on a standardized basis as shown in Exhibit 4. EUR/GBP may perhaps the better vehicle to express divergence in monetary policy though we reiterate that this only holds for as long as UK data surprises to the upside.

Rates: BoE to show rather than tell

Our two key focus points will be (1) whether the BoE strengthens guidance to encourage the market to price a “table mountain” path of rates again and (2) the Quantitative Tightening (QT) Gilt sales plan announcement for 1Q24 on 15 Dec. We suspect the BoE will be reticent to give strong guidance. This lack of strong guidance towards “higher for longer” next week is a risk to our sell SFIZ4 vs. ERZ5 futures trade. We entered this trade at 181bp in our Year Ahead report 2024: Cloudy with a chance of landing on 19 Nov, targeting 280bp with a stop of 120bp (current: 210bp). The risk to the trade is a more hawkish ECB than BoE. The BoE will have to show rather than tell, holding rates at 5.25% well beyond current market expectations of the timing of the first cut.

The rise in term premia – a reason to adjust the distribution of Gilt sales?

Turning to our thoughts ahead of 15 Dec QT sales plan: we have argued for some time that we felt that the Bank should tilt its sales shorter, and we had been expecting this change to be announced after the completion of the current sales programme schedule and in advance of the new schedule beginning in January. We summarized our case in a 20 Sep note, [‘BoE preview: one more hike and done’](#), adding on 27 Oct that the sell-off in Gilts made it harder for the Bank to argue that it was operating in the background. We were even hoping that the November Monetary Report would flag the case for such a change, after a subtle additional line was added to the Gilt market notice announcing the current quarter’s Gilt sales calendar. Not only did the November Report fail to hint at a future bucket change, but comments from Deputy Governor Dave Ramsden appeared to manage down expectations of change.

So we need to broaden out the debate. We think Ramsden is right to say that P&L considerations shouldn't affect Bank decisions, up to a point, but if there is a large term premium that can be saved by selling fewer longs and more shorts, then perhaps that could be considered? More importantly, there are broader macro benefits from such a change, concerning money supply, the adjustment away from superabundant liquidity and the portfolio effect. We use the experience of "overfunding" in the 80s to illustrate ([Room for improvement. BoE active QT might be going okay but could be better](#), 6 Dec).

Why is that relevant now?

If a non-bank investor buys Gilts, it draws down a deposit with a bank and the bank draws down central bank reserves. Both sides of the banking sector balance sheet shrink, and broad money shrinks because the non-bank sector has shed deposits in exchange for Gilts. If, on the other hand, a bank buys the Gilts, the bank's balance sheet does not shrink – it loses one high quality liquid asset (reserves) and acquires another (Gilts) – and the money supply (the deposits of the non-bank sector) is unaffected.

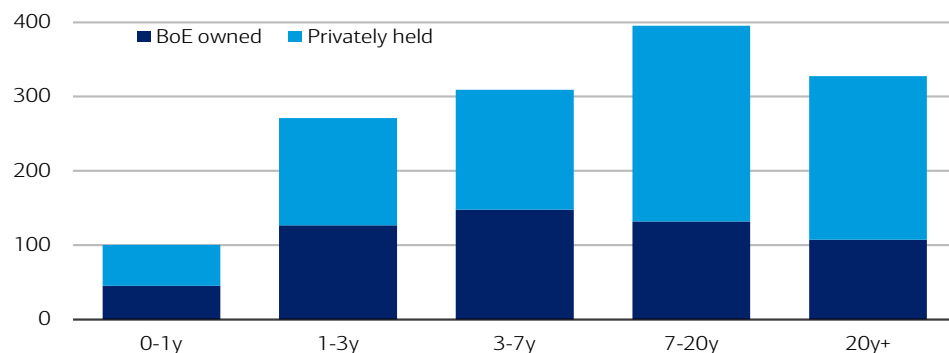
In order to both underpin the money supply and facilitate a smoother managing down of the BoE balance sheet, it would be greatly preferable if the latter path was taken, we think, with much more of Gilts sold (by both the Bank and the DMO) being bought by the banking system. Banks obviously prefer short-dated Gilts, and in an ideal world these short-dated Gilts would need to be cheap enough for Banks to consider replacing the so-called "structural hedges" (currently executed in Sonia term rates) with Gilts.

The Bank currently owns 0-3y Gilts with a market value of £172bn. It probably shouldn't sell sub-1y issues because it sets its QT programme for a year and that would complicate understanding of what is destined for passive and active QT over the period. However, its 1-3y holdings, at £127bn more or less match its 7-20y holdings (£132bn) and comfortably exceed its entire holdings beyond 20-years (£107bn) – Exhibit 5. We strongly suggest that the Bank split its active sales programme four ways, adding a 1-3y bucket to its schedule, reducing the amounts sold in the existing buckets.

Finally, the "portfolio effect": an often-mentioned benefit of QE, whereby (non-bank) selling of long Gilts to the Bank would encourage them to move out along the risk frontier into credit and other risk assets. However, we don't hear a lot about the threat of a negative portfolio effect. Heavier duration delivery by both the Bank and DMO combined risks the reverse – a crowding out of risk appetite. We think it is in the mutual interest of both (from a prospective loss and cost effectiveness viewpoint, respectively) and the private sector (supporting risk appetite) if Gilt supply is tilted shorter.

Exhibit 5: Remarkably, BoE now owns more 1-3y Gilts than 20y+Gilts by value, £bn

Letting 1-3y Gilts go would not interfere with passive run-off, and would encourage bank buying



Source: BofA Global Research, Bank of England, DMO, Bloomberg

BofA GLOBAL RESEARCH

Notable Rates and FX Research

- **Global Macro Year Ahead 2024** - [Hope for the best, prepare for the worst](#), 19 Nov 2023
- **Global Rates Year Ahead 2024** – [Cloudy with a chance of landing](#), 19 Nov 2023
- **G10 FX Year Ahead** - [The year of the landing](#), 20 Nov 2023
- [USD selloff defying corporates & officials](#), **Liquid Cross Border Flows**, 04 Dec 2023

Rates, FX & EM trades for 2023

For a complete list of our open trade recommendations, as well as our trade recommendations closed over the past 12 months, see the reports below:

[Global FX weekly: Don't expect early rate cuts 08 December 2023](#)

[Global Rates Weekly: Doves of a feather 08 December 2023](#)

Analyst Certification

I, Mark Capleton, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Disclosures

Important Disclosures

BoFA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible. BoFA Securities fixed income analysts regularly interact with sales and trading desk personnel in connection with their research, including to ascertain pricing and liquidity in the fixed income markets.

Other Important Disclosures

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BoFA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

This report may refer to fixed income securities or other financial instruments that may not be offered or sold in one or more states or jurisdictions, or to certain categories of investors, including retail investors. Readers of this report are advised that any discussion, recommendation or other mention of such instruments is not a solicitation or offer to transact in such instruments. Investors should contact their BoFA Securities representative or Merrill Global Wealth Management financial advisor for information relating to such instruments.

Rule 144A securities may be offered or sold only to persons in the U.S. who are Qualified Institutional Buyers within the meaning of Rule 144A under the Securities Act of 1933, as amended. SECURITIES OR OTHER FINANCIAL INSTRUMENTS DISCUSSED HEREIN MAY BE RATED BELOW INVESTMENT GRADE AND SHOULD THEREFORE ONLY BE CONSIDERED FOR INCLUSION IN ACCOUNTS QUALIFIED FOR SPECULATIVE INVESTMENT.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

The securities or other financial instruments discussed in this report may be traded over-the-counter. Retail sales and/or distribution of this report may be made only in states where these instruments are exempt from registration or have been qualified for sale.

Officers of BoFA or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

This report, and the securities or other financial instruments discussed herein, may not be eligible for distribution or sale in all countries or to certain categories of investors, including retail investors.

Refer to [BoFA Global Research policies relating to conflicts of interest](#).

"BoFA Securities" includes BoFA Securities, Inc. ("BoFA") and its affiliates. Investors should contact their BoFA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. "BoFA Securities" is a global brand for BoFA Global Research.

Information relating to Non-US affiliates of BoFA Securities and Distribution of Affiliate Research Reports:

BoFA and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BoFASE (France): BoFA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BoFA Securities Europe SA ("BoFASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BoFASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BoFASE's share capital can be found at www.bofam.com/BoFASEdisclaimer; BoFA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BoFA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BoFA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BoFA Japan: BoFA Securities Japan Co., Ltd, regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BoFA India: BoFA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BoFASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has been considered and distributed in Japan by BoFA Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BoFA India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to "Wholesale" clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BoFA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BoFA Securities entities, including BoFA Europe and BoFASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BoFA Securities group. You may be contacted by a different BoFA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BoFA and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BoFA and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BoFA and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security

discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities. This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

Futures and options are not appropriate for all investors. Such financial instruments may expire worthless. Before investing in futures or options, clients must receive the appropriate risk disclosure documents. Investment strategies explained in this report may not be appropriate at all times. Costs of such strategies do not include commission or margin expenses.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

This report may contain a trading idea or recommendation which highlights a specific identified near-term catalyst or event impacting a security, issuer, industry sector or the market generally that presents a transaction opportunity, but does not have any impact on the analyst's particular "Overweight" or "Underweight" rating (which is based on a three month trade horizon). Trading ideas and recommendations may differ directionally from the analyst's rating on a security or issuer because they reflect the impact of a near-term catalyst or event.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

Copyright and General Information:

Copyright 2023 Bank of America Corporation. All rights reserved. IQDatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS or any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.

Research Analysts

US

Ralph Axel
Rates Strategist
BofAS
+1 646 855 6226
ralph.axel@bofa.com

Paul Ciana, CMT
Technical Strategist
BofAS
+1 646 855 6007
paul.ciana@bofa.com

John Shin
FX Strategist
BofAS
+1 646 855 9342
joong.s.shin@bofa.com

Vadim Iaralov
FX Strategist
BofAS
+1 646 855 8732
vadim.iaralov@bofa.com

Mark Cabana, CFA
Rates Strategist
BofAS
+1 646 855 9591
mark.cabana@bofa.com

Bruno Braizinha, CFA
Rates Strategist
BofAS
+1 646 855 8949
bruno.braizinha@bofa.com

Meghan Swiber, CFA
Rates Strategist
BofAS
+1 646 855 9877
meghan.swiber@bofa.com

Europe

Ralf Preusser, CFA
Rates Strategist
MLI (UK)
+44 20 7995 7331
ralf.preusser@bofa.com

Ruben Segura-Cayuela
Europe Economist
BoFA Europe (Madrid)
+34 91 514 3053
ruben.segura-cayuela@bofa.com

Mark Capleton
Rates Strategist
MLI (UK)
+44 20 7995 6118
mark.capleton@bofa.com

Athanasios Vamvakidis
FX Strategist
MLI (UK)
+44 020 7995 0279
athanasios.vamvakidis@bofa.com

Sphia Salim
Rates Strategist
MLI (UK)
+44 20 7996 2227
sphia.salim@bofa.com

Kamal Sharma
FX Strategist
MLI (UK)
+44 20 7996 4855
ksharma32@bofa.com

Ronald Man
Rates Strategist
MLI (UK)
+44 20 7995 1143
ronald.man@bofa.com

Michalis Rousakis
FX Strategist
MLI (UK)
+44 20 7995 0336
michalis.rousakis@bofa.com

Pac Rim

Adarsh Sinha
FX Strategist
Merrill Lynch (Hong Kong)
+852 3508 7155
adarsh.sinha@bofa.com

Janice Xue
Rates Strategist
Merrill Lynch (Hong Kong)
+852 3508 8587
janice.xue@bofa.com

Shusuke Yamada, CFA
FX/Rates Strategist
BofAS Japan
+81 3 6225 8515
shusuke.yamada@bofa.com

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.

