

Morning Meeting Notes

QuickNotes

Morning Call

US EQUITIES RESEARCH

Rating Changes

[Okta Inc](#) | BUY | OKTA US | Mkt Cap:USD14,492mn | Madeline Brooks
FY25 likely to be a year of “beat & raise”, upgrade to Buy

- Upgrading Okta from Underperform to Buy, raising PO to \$135, now based on 9x CY26E EV/Sales versus 5x prior
- Key concerns around new customer growth, saturation among the existing base and ongoing execution issues kept us at U/P
- We believe these concerns have lessened, and view FY25 guidance as conservative, creating potential for upward revisions

PO Raised

[Advance Auto](#) | UNDERPERFORM | AAP US | Mkt Cap:USD3,952mn | Jason Haas

4Q Recap: Planning to consolidate supply chain to improve efficiency

- Advance Auto Parts (AAP) reported 4Q23 results. Comps of -1.4% were below BofAe -1.0% and consensus -1.2%.
- For 2024, the company expects \$11.3-11.4bn revenue on flat to 1% comp, compared to \$11.3bn on (0.3)% in 2023.
- Given 2024 guidance, we raise 2024/2025 estimates by 22/11% and introduce 2026 estimates.

[American Eagle](#) | NEUTRAL | AEO US | Mkt Cap:USD4,306mn | Christopher Nardone

What to expect from AEO’s long term strategy announcement

- We reit. our Neutral rating and think valuation (6.5x EV/EBITDA, 14.5x P/E) fairly reflects the positive near-term outlook
- We forecast F24 EPS of \$1.62 (cons \$1.56), we expect mgmt will reiterate messaging on leveraging opex with LSD sales growth
- We expect the long-term plan will be headlined by a path to double digit operating margins with focus on SG&A initiatives

29 February 2024

Equity
United States

Investor Support
BofAS

Today’s Events: Economic Indicators

1. 8:30 Initial Jobless Claims
2. 8:30 Personal Income
3. 8:30 Personal Spending
4. 8:30 PCE Headline Prices (mom)
5. 8:30 PCE Headline Prices (yoy)
6. 8:30 PCE Core Prices (mom)
7. 8:30 PCE Core Prices (yoy)
8. 8:30 Personal saving rate
9. 9:45 Chicago Purchasing Managers
10. 10:00 Pending Home Sales

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QuickNotes is a list of today’s Global Research activities. Please use the links to read the full Research report before making investment decisions. The reports also contain important disclosures.

[Arcellx](#) | BUY | ACLX US | Mkt Cap:USD3,554mn | Jason Gerberry**4Q wrap: no new update as ACLX closed out productive 2023**

- 4Q print offered no new updates post a strong finish to 2023, including positive Ph1 update on lead asset (anito cel) in MM
- In 2024, we are most focused on preliminary Ph2 (pivotal) data of anito cel in 2H
- We continue to like ACLX on emerging profile of anito cel, mfg capability (partnered with GILD), and strong balance sheets

[Barings BDC Inc](#) | BUY | BBDC US | Mkt Cap:USD1,029mn | Derek Hewett**Updating estimates for multiple BDCs**

- Updating ests for BBDC, BCSF, CCAP, CGBD, MFIC, NMFC
- Inside includes a Q4 recap for each our latest earnings estimates, PO changes

[C3.ai](#) | UNDERPERFORM | AI US | Mkt Cap:USD3,455mn | Brad Sills**Still lacking visibility on growth with consumption transition**

- Good Q3 results with revenue and operating income ahead of expectations, FY24E outlook largely unchanged
- RPO & cRPO decline again despite strong multi year commitment commentary, H2FY25 positive operating income target delayed
- Reiterate Underperform rating, do not view the meaningful premium C3.ai trades at versus peers as warranted

[Carlyle Sec Lending](#) | BUY | CGBD US | Mkt Cap:USD811mn | Derek Hewett**Updating estimates for multiple BDCs**

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[CarMax](#) | UNDERPERFORM | KMX US | Mkt Cap:USD12,256mn | John Murphy**Total recall 4Q:23 – Mixed results, conservative outlooks, softer EV demand**

- 4Q results were mixed while 2024 outlooks were strong for GM & F, but below expectations for suppliers and EV OEMs.
- Results and commentary suggest EV demand growth is stalling, value chain looks to push Hybrids as interim solution.
- Incumbent OEMs positioned well. Supplier outlooks conservative. Dealer earnings normalizing but still look like bargains.

[CCC Intelligent Sol](#) | BUY | CCCS US | Mkt Cap:USD7,069mn | Michael Funk**4Q23 Wrap: Firing on all cylinders**

- CCCS reported 4Q23 results that beat consensus on revenue (by 2.6%) and adjusted EBITDA (by 7.6%).
- FY24 guide was above Street ests, and both net dollar retention (NDR) and gross dollar retention (GDR) inflected positively.
- We increase our rev/EBITDA estimates and PO to \$15 PO (from \$14) based on a 9.4x EV/CY25E Revenue multiple.

CRH | BUY | CRH US | Mkt Cap:USD54,187mn | Arnaud Lehmann
Strong 2024 guidance drive upgrades, PO raised to GBp7,200/\$91

- 2023 EBITDA c2% above driven by Americas Materials, other divisions in line. Strong cash flow and net debt slightly below.
- Dividend up 5% for 2023 and 5% for 2024, share buyback resumed at \$0.3bn per quarter / run-rate of \$1.2bn per annum.
- 2024 EBITDA forecast raised c8% to \$6.7bn, mid-point of strong guidance. Reiterate Buy, PO raised to GBp7,200 / \$91.

Duolingo | NEUTRAL | DUOL US | Mkt Cap:USD9,150mn | Curtis Nagle
Solid 4Q and outlook beats Street despite expected deceleration, Neutral

- Solid 4Q beat with Rev/EBITDA above Street est. on higher subscription bookings (up 57% y/y) and increase in paid users.
- 1Q and 2024 guidance is above current Street, though 2024 guidance suggests bookings growth decelerating 17ppts at midpoint.
- While we like DUOL for its subscriber growth and margin potential, valuation seems to price in growth. Reiterate Neutral.

Harmony | UNDERPERFORM | HMY US | Mkt Cap:USD3,475mn | Cameron Needham
1H24 beats on grades. Sustainable?

- Production profit ZAR11.1bn, 2% vs consensus. Headline earnings ZAR5.9bn, 13% vs consensus.
- HAR now in a R74 million net cash position. Interesting. AISC US\$1403/oz, -12% YoY, partly due to ZAR weakness.
- We acknowledge recent strong performance, but we do think that additional funding will be needed to develop project pipeline.

Magnite | NEUTRAL | MGNI US | Mkt Cap:USD1,465mn | Omar Dessouky
4Q23 Results: beat anticipated, solid positioning in CTV, but awaiting catalyst

- 4Q beat largely anticipated post PUBM print, CTV/DV outpaced end market growth, CTV take rate stabilized in Q4
- FY24 guide higher on CTV, take rate decline to moderate, mgmt assumes light Cookie impact, views Prime Video ad rollout ve
- Remain Neutral as we await catalyst, \$13 PO assumes valuation slightly below Meta/Alphabet

Margeta | BUY | MQ US | Mkt Cap:USD3,426mn | Cassie Chan
Strong finish to 2023

- Overall, MQ delivered a solid F4Q beat, while overall '24 guide was reiterated from the November Investor Day
- January/February trends are stable vs. Dec and trending in the low-30% range, MQ has renewed 80% of TPV in the last 7 qtrs
- Reiterate Buy on best-in-class tech, accelerating momentum (ie. embedded finance and credit), and execution



[MidCap Financial](#) | UNDERPERFORM | MFIC US | Mkt Cap:USD952mn | Derek Hewett

Updating estimates for multiple BDCs

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[Nutanix](#) | BUY | NTNX US | Mkt Cap:USD14,328mn | Wamsi Mohan

Another quarter with many positives, PO to \$65

- NTNX delivered another strong quarter and raised FY24 guidance
- The company has a growing pipeline of potential wins, but some VMWare customers have signed 3-5 year deals
- Reiterate Buy. PO moves to \$65 on 6x EV/ our C25 sales estimate

[Pure Storage](#) | NEUTRAL | PSTG US | Mkt Cap:USD13,309mn | Wamsi Mohan

Better-than-expected F25 guide despite bigger headwind of 4pts from Evergreen

- PSTG reported its F4Q and F24 results after market close. The company noted two 8-figure deal wins in the qtr.
- Mgmt. guided F25 rev to grow double digit of 10.5% y/y (vs. 2.8% y/y in F24) to \$3.1bn.
- Reiterate Neutral. PO moves to \$50 (from \$42) on 4x (from 3x) EV/Sales given better-than-expected rev growth & profitability.

[Salesforce.com](#) | BUY | CRM US | Mkt Cap:USD280,884mn | Brad Sills

A multi-year AI growth cycle coming into view

- Solid Q4, with cRPO growth of 13% cc exceeding 11% on multi-cloud / large deal strength.
- Data Cloud is ramping nicely with \$400mn ARR (90%), providing an source of incremental organic growth.
- Guide for FY25 FCF growth of 23% to 26% suggests 30% is within reach, Reiterate Buy on our top pick.

[Shift4](#) | BUY | FOUR US | Mkt Cap:USD7,200mn | Jason Kupferberg

New takeout reports in press

- FOUR traded up 12% today on media reports suggesting Fiserv (FI) and Amadeus are competing to acquire FOUR
- Dec. media reports suggested GPN as a potential suitor, yesterday FOUR reiterated consideration of strategic alternatives
- We would be somewhat surprised to see either FI or Amadeus acquire FOUR

[Squarespace](#) | BUY | SQSP US | Mkt Cap:USD4,542mn | Michael McGovern

Google partnership providing a tailwind to sub growth, Reiterate Buy

- SQSP reported revenue/EBITDA of \$270.7mn/\$64.7mn vs. BofAe at \$264.0mn/\$71.1mn, with a strong beat in net adds.
- Google Domains business is causing some GM headwinds, but we expect offsets from opex leverage, and stronger L.T. sub growth.
- We raise our PO to \$40 based on 5.5x 2025E Gross Profit, a slight discount to comps. Our PO implies 18x P/FCF.

[TaskUs](#) | UNDERPERFORM | TASK US | Mkt Cap:USD1,271mn | Cassie Chan
4Q upside but '24 guide a bit mixed

- 4Q results featured meaningful P&L outperformance, Initial '24 revs are in-line, while margins are below
- Expect increased reinvestments in tech/AI, sales & marketing, particularly enterprise clients in healthcare, banking FS
- See valuation as appropriate given TASK's growth trajectory, while GenAI sentiment remains an overhang, reit. Underperform

[TJX Companies](#) | BUY | TJX US | Mkt Cap:USD120,234mn | Lorraine Hutchinson

Reiterate Buy: market share gains continue

- See further MM oppty from better buying & selective price increases, especially as TJX is increasingly important to vendors
- Mgmt reiterated algo of flat to 10bp on a 3-4% comp & every point of comp above plan results in incremental 15bp of leverage
- 1Q off to a good start, weather negatively impacted first two weeks of Feb but trends improved once weather turned favorable

PO Lowered

[BRP Group, Inc.](#) | BUY | BRP US | Mkt Cap:USD1,769mn | Joshua Shanker
4Q23 earnings beat as management focuses on margin expansion in 2024

- BRP delivered 4Q23 adj. earnings beat of \$0.14, ahead of our forecast and previous mgmt. guidance.
- Organic growth to continue at the high-end of the long-term range of 10-15%, operating leverage to drive margin expansion.
- Wholesale brokerage platform sold to Amwins, the transaction is expected to be accretive to margins and organic growth.

[Definitive Hlthcare](#) | BUY | DH US | Mkt Cap:USD1,423mn | Allen Lutz
Awaiting cRPO stabilization

- DH initiated a generally in-line guide with a strong margin outlook highlighting the operating leverage in the model.
- DH provided positive qualitative commentary around retention rates and new product launches.
- We expect investors will have questions about the slowdown of cRPO growth. Reiterate Buy.

[DoubleVerify](#) | BUY | DV US | Mkt Cap:USD6,720mn | Omar Dessouky
4Q23 Results: No pricing pressure seen, CY24 guide embeds conservatism

- CY24 guide > 20% YY suggests DV is widening gap to competition, supports winner-take-most thesis & more eventual price power
- 1Q24 guide below expectations driven by slower ramp of new customers, and idiosyncratic events affecting a couple of clients
- Reiterate Buy, valuation remains low relative to growth when compared to TTD and information services stocks



[HP Inc.](#) | BUY | HPQ US | Mkt Cap:USD28,102mn | Wamsi Mohan
Slower start to F24 (PC market rebound in 2H), FY guide unchanged, PO to \$32

- HPQ guide for FY24 remains unchanged but back end loaded to 2H given a weaker trajectory for the PC market
- Print market remains weak but margins are outperforming given mix, cost initiatives.
- Reiterate Buy. Adjusting ests. PO lower to \$32 from \$33 on 9x C24E EPS

[Integra LifeScie](#) | UNDERPERFORM | IART US | Mkt Cap:USD3,025mn | Craig Bijou
2024 guide falls short, CEO transition by end of year

- Shares down 13% after Q4 rev and EPS miss and 2024 guide falls short, Reit UP, lower PO to \$42 (from \$45)
- IART CEO of little more than 2 years announces he is retiring by end of 2024
- 2024 guide implies 7-8% revenue growth in Q2-Q4...we see risk to the revenue ramp and 2024 numbers

[Jazz Pharmaceuticals](#) | BUY | JAZZ US | Mkt Cap:USD7,448mn | Jason Gerberry
4Q wrap: lots of moving parts, but story unchanged, remain Buy on Ph3 zani update

- Jazz 4Q and '24 guide had a lot of moving pieces, including unfavorable oxybate mix and slightly higher spend
- PO trimmed to \$173 largely reflects spend dynamics and modest revenue trim, though no fundamental change in outlook
- We remain Buy rated and still expect mid-SD bottom line growth pipeline undemanding valuation

[Lithia Motors A](#) | BUY | LAD US | Mkt Cap:USD8,427mn | John Murphy
Total recall 4Q:23 – Mixed results, conservative outlooks, softer EV demand

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[Luminar](#) | NEUTRAL | LAZR US | Mkt Cap:USD974mn | John Babcock
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[Sarepta](#) | BUY | SRPT US | Mkt Cap:USD12,905mn | Tazeen Ahmad
Strong commercial performance as we await Elevidys label expansion, Reit.
Buy

- SRPT reported \$1.1bn in FY23 total product revenues and \$200.4mn in FY23 Elevidys revenues in-line with preannouncement
- Focus on the label expansion PDUFA on June 21st. Mgmt reiterates they expect broad label expansion
- We remain confident on the potential for a label expansion and see room for additional upside on a full broad label

[Schrodinger](#) | NEUTRAL | SDGR US | Mkt Cap:USD2,316mn | Michael Ryskin
2023: one step forward, 2024: one step back

- 4Q sales of \$74mn were 6% below Consensus on lower Drug Discovery contribution, while Software was relatively in-line
- 24 guide misses for both segments. DD decline slightly worse than signaled, Software well below with continued growth decel
- Lower estimates, PO to \$32, Reit. Neutral as choppy trends in both business lines balance SDGR's longer-term potential

[Snowflake](#) | NEUTRAL | SNOW US | Mkt Cap:USD60,361mn | Brad Sills
Depressed Consumption Pattern Backs Disappointing Outlook

- Healthy Q4 rev upside (2.4%) though FY25 product rev outlook (22% y/y) disappoints mainly due to performance optimization
- Return to 30% growth is now likely in question though believe new CEO to bring added engineering rigor to Snowflake
- Lower PO to \$212, remain Neutral pending better visibility in consumption trends and progress with key AI initiatives

[Sonic Automotive](#) | UNDERPERFORM | SAH US | Mkt Cap:USD2,218mn | John Murphy
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[Visteon Corp](#) | BUY | VC US | Mkt Cap:USD3,174mn | John Babcock
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Significant EPS Change

[American Axle](#) | UNDERPERFORM | AXL US | Mkt Cap:USD778mn | John Murphy

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[Crescent Capital BDC](#) | BUY | CCAP US | Mkt Cap:USD616mn | Derek Hewett
Updating estimates for multiple BDCs

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[OPENLANE](#) | UNDERPERFORM | KAR US | Mkt Cap:USD2,285mn | John Murphy

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[Paramount Global](#) | UNDERPERFORM | PARA US | Mkt Cap:USD7,327mn | Jessica Reif Ehrlich

Solid 4Q but big questions still remain

- PARA's 4Q results highlighted the combination of a challenging macro, continued secular headwinds and outperformance in DTC.
- We lower our CY24E rev. est. to \$30.3bn (vs. \$30.7bn prev.) but raise our adj. OIBDA to \$2.77bn (vs. \$2.65bn prev.).
- We reiterate our Underperform rating and \$9 PO on PARA.

[Sovos Brands, Inc.](#) | NO RATING | SOVO US | Mkt Cap:USD2,353mn | Peter Galbo

4Q23 adj. EBITDA better on higher sales & op margin, updated timing on CPB merger

- SOVO announced its 4Q23 results with adj. EPS and adj. EBITDA higher than BofAe on higher sales and op margin. Raising...
- FY24-FY25 sales, adj EBITDA & EPS estimates to reflect 4Q's beat. We also introduce FY26 adj. EPS & adj. EBITDA estimates.
- CPB & SOVO's 30-day waiting period is expected to expire on 3/11, after which the sale can be finalized. Maintain No Rating.

US Physical Therapy | BUY | USPH US | Mkt Cap:USD1,497mn | Joanna Gajuk
Guide slightly below but implies solid growth despite rate cut

- Adj EBITDA came in above the reset Q4 with revs and margins beating consensus ests. Vols and pricing were better.
- 2024 EBITDA guide midpoint is 3% below consensus. Implies 6% y/y despite a 7% headwind from Medicare rate cut due to offsets
- We tick down EBITDA ests. We reiterate Buy as improving trends and capital deployment provide offsets to rate cuts.

Buy Reiterations

Consumer Discretionary

O'Reilly Auto | BUY | ORLY US | Mkt Cap:USD64,564mn | Jason Haas
Mgmt. meeting takeaways: ORLY on a solid trajectory to gain market share

- We visited O'Reilly (ORLY)'s headquarter in Springfield, Missouri on Feb 28 and came away positive.
- ORLY wants to gain share and improve margins. Currently, DIFM is outperforming and causing mix pressure to margins.
- ORLY also sees opportunities in the EV segment. Increasing complexity is a favorable trend for the industry.

Penn Entertainment | BUY | PENN US | Mkt Cap:USD2,732mn | Shaun Kelley
Management meeting takeaways: What's next for ESPN Bet?

- We hosted PENN CEO Jay Snowden, CFO Felicia Hendrix, and Chief Strategy Officer Chris Rogers for a dinner with investors
- Tone was positive and while ESPN Bet's Q4 losses were larger than expected, we think they are excited by initial traction
- PENN reiterated \$200-400M in cumulative losses with a deeper loss than initially anticipated but pulled forward profitability

TopBuild | BUY | BLD US | Mkt Cap:USD12,441mn | Rafe Jadrosich
2024 guidance in line with consensus, but looks very conservative, Reiterate Buy

- Management initiated 2024 guidance in inline with consensus, but we see potential upside on revenue and EBITDA.
- SPI deal is taking longer than expected to close, as BLD responds to additional DOJ antitrust inquiries.
- Our 2024E/2025E EPS estimates are mostly unchanged and we maintain our \$410 PO. Reiterate Buy.



Consumer Staples

[Colgate-Palmolive](#) | BUY | CL US | Mkt Cap:USD77,070mn | Bryan Spillane Catching up with Colgate

- We recently met with CFO Stan Sutula, Chief Digital Officer Brigitte King, and VP of M&A and Investor Relations John Faucher
- Investors focused on sustainability of sales growth, earnings flexibility, and the balance between reinvestment and...
- ...flowing gross margin expansion to EPS. We maintain our Buy rating and \$90 PO.

[Monster Beverage](#) | BUY | MNST US | Mkt Cap:USD59,206mn | Peter Galbo Not even bad weather can stop the BEAST, Reiterate Buy & \$65 PO

- MNST reported 4Q23 adj. EPS of \$0.38, above BofAe of \$0.36 and in line with Visible Alpha Consensus of \$0.38.
- We believe the setup for MNST for 2024 remains attractive given: 1) sales in 2024 are off to a strong start, 2) GM...
- improvement and 3) share repurchases. We raise our FY24-FY26 EPSes, reiterate our Buy rating and \$65 PO.

Financials

[New Mountain Finance](#) | BUY | NMFC US | Mkt Cap:USD1,312mn | Derek Hewett BDCs

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[PagSeguro](#) | BUY | PAGS US | Mkt Cap:USD4,478mn | Mario Pierry '24 guidance above BofA/Street estimates, 4Q23 in line

- GAAP net income growth accelerated to 20% YoY (8% in 3Q), reaching R\$488mn, in line with BofAe.
- The quarter reflected improving revenue growth and better than expected opex, while take-rate came weaker than BofAe.
- Guidance implies 19% earnings growth, 7%/6% above BofAe/BBG consensus. We maintain our Buy rating.

Health Care

[Syndax](#) | BUY | SNDX US | Mkt Cap:USD2,029mn | Jason Zemansky Commercial set-up starting as focus pivots to execution, our 4Q takes

- Syndax's 4Q was solid, which, while lacking major updates, provided commercial insights and key development updates
- With the company building out a sales force to support revumenib and axatilimab simultaneously, we see reasons for optimism
- In addition to its advancing revumenib program, we're cautiously optimistic on axatilimab in IPF. Reiterate Buy, \$29 PO

Materials

[AptarGroup Inc.](#) | BUY | ATR US | Mkt Cap:USD9,241mn | George Staphos ATR at BofA's Global Ag. & Materials Conference

- ATR's President & CEO, Stephan Tanda, and President of Closures, Hedi Tlili, presented at BofA's Global Ag. & Materials Conf.
- ATR hopes to grow earnings faster than its topline and that it aspires to achieve double-digit EPS growth over-time.
- Company appears confident in its ability to achieve its long-term margin targets moving into 2025.

[Sonoco Products](#) | BUY | SON US | Mkt Cap:USD5,699mn | George Staphos SON at BofA's Global Ag. & Materials Conference

- SON's CEO, Howard Coker, and CFO, Robert Dillard, presented at BofA's Global Agriculture & Materials Conference.
- While it's early, 1Q seems to be tracking in-line/better than SON initial expectations as vols seem ok into Feb v. guid
- Longer-term, SON noted that it sees more opportunities from commercial excellence program.

Macro & Strategy

[FX Alpha](#) | G10 FX Strategy

Lower NOK/SEK stop

- We lower the stop to our long NOKSEK recommendation to 0.9480 (spot ref: 0.9744). We continue targeting 1.0240
- 1) NOK disconnected from front-end rates this year. 2) SEK resilience slightly surprising. Positioning may help explain both
- Our recommendation more structural than tactical. Positioning still poses some risks, as would lower oil prices & hawkish ECB

[BofA on USA](#) | US Economics

Weekly spending update through Feb 24

- Total card spending per HH was up 0.4% y/y in the week ending Feb 24, according to BAC aggregated credit & debit card data.
- Retail ex auto spending per HH came in at -0.6%/y/y in the week ending Feb 24.
- Y/y total card spending growth improved in the week ending Feb24 from a month ago but overall remained soft but stable in Feb

[FX Viewpoint](#) | Alex Cohen

USD: Bulls versus Bears

- FX conviction is low, as the market seeks a fresh catalyst for the USD. Here we compare the bullish and bearish USD outlooks:
- USD bears are consensus, seeing further disinflation as soon prompting a dovish Fed pivot, pushing the USD toward equilibrium
- USD bulls emphasize US growth outperformance & see sticky service inflation keeping Fed on hold longer than market is pricing



Liquid Insight | Global Rates & Currencies Research**Holdovers in G10 FX**

- Central banks on hold, such as the Fed, have disappointed previous market hopes for earlier rate cuts, supporting USD so far.
- We continue to expect near-term USD to stay around current levels, although we also hold our end-year 1.15 EUR-USD forecast.
- Since last month, we have a variety of revisions, including GBP and CHF, as well as NOK, SEK, NZD and medium-term EUR-USD.

World at a Glance | FX Rates & Commodities Research**The Holdovers**

- Our core FX, rates, and commodities forecasts for end-2024 EUR-USD, USD-CNY, US10yr, and average 2024 oil remain unchanged.
- Central banks such as the Fed have stayed on hold despite previous market hopes for earlier cuts, keeping the USD elevated.
- Since our last monthly publication, we do have other forecast revisions in FX and rates, outside of our core macro views.

Emerging Insight | GEMs FI Strategy & Economics**We still like to receive the 1y1y in Israel**

- The market consistently underprices cutting cycles in Israel. The best trade is to receive the front end until the last cut.
- 2011-15 2008-09 easing cycles are the best playbooks for the current one. 1y1y usually outperforms 1y/2y at the start.
- We continue to receive 1y1y: 1) it is the most mispriced vs BofA policy rate forecast; 2) it offers the best carry and roll.

Disclosures

Important Disclosures

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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