BofA SECURITIES

Liquid Insight

Rates & Vol in Euro vs US

01 June 2022

Rates and Currencies Research
Global

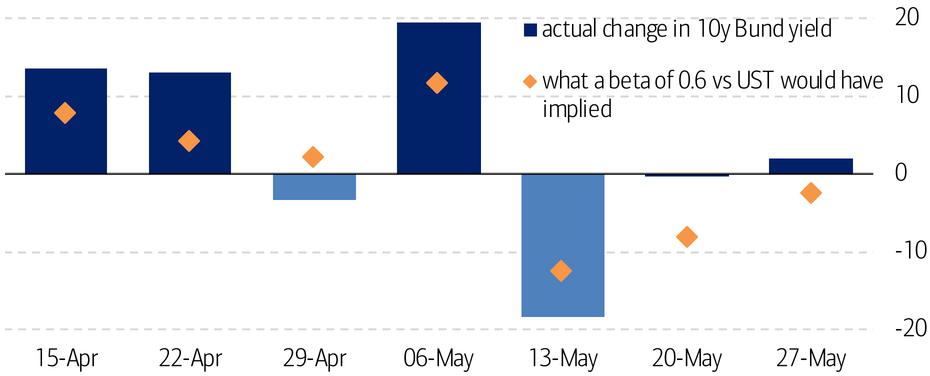
Key takeaways

- While rates and implied volatility may have peaked in the US, we see this as likely in the Euro Area
- We discuss structural reasons for EUR rates vol to trade richer relative to US vol, and update our different vol monitors
- We enter a 2y10y payer spd in EUR funded by a far OTM payer in USD and reiterate some of our outstanding EUR & USD vol trades

By Sphia Salim and Bruno Braizinha

Chart of the day: Recent weekly chgs in 10y Bund yields vs what a beta vs USTs would imply

More pressure & uncertainty in EUR rates: Bunds underperformed relative to their historical beta* vs USTs in 5 of the past 7 weeks, with examples in both selloffs and rallies.



Source: BofA Global Research. (*) Beta of 0.6 based on past 2 years of data.

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EUR rates vol still not out of the woods

As global yields retraced from their early May highs, with USTs leading the risk-off rally, implied rates volatilities have also declined across the board. This is consistent with the strong directionality of volatility to rates, but also with the increased Fed guidance (see [At the edge of a regime shift](), May 9th). A further rates rally, or even stabilization around current levels should drive implied vols even lower. This is what we expect in USD.

However, we caution against being short vol in EUR, as the peak in EUR rates may still be ahead of us, and uncertainty around the ECB's reaction function will remain elevated. We may have to wait for the ECB to deliver a first hike to see a more meaningful decline in rates (vol). For the near term, we favor structures that are bearish rates and long vol in EUR. In addition to our 1y1y payer spread and 6m30y OTM payer, we introduce a new recommendation to buy 2y10y ATM payer spreads in EUR funded by far OTM US payers. In the US, we reiterate our 9m5y receiver spreads funded also by far OTM payers.

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For a list of recent recommendations please see our last Global Rates Weekly.

Higher rates & vol in EUR vs USD

The dynamic of UST-Bund spreads with yield levels looks to us to be almost positively convex, with potential for Bunds to underperform (at least more than usual) not just in rallies but also in sell-offs (see Chart of the Day). Central bank uncertainty (and thus the required volatility premium) also appears more significant in EUR than in USD.

The peak in EUR rates may still be ahead of us...

From a macro perspective, we see three reasons why the ECB's hawkish shift may not be complete yet, with EUR rates therefore subjected to further upside pressure:

1. Inflation in the Euro area will likely hover above 7.5% until October. It will not be clear that inflation has peaked until then.
2. Wage growth will inevitably move higher. As the focus will be on the German IG metal wage negotiations in Sep-Oct, we will have to wait until then for any clear answer as to whether second-round effects are meaningful.
3. Hopes of fiscal stimulus at national and EU level can fuel expectations of a rebound in growth beyond the energy shock in 2Q-3Q.

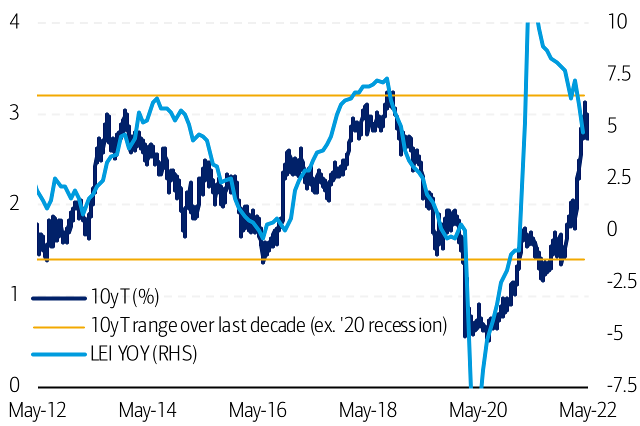
...while current rate paradigm suggests USTs to remain below 3-3.25%

We believe the peak in 10yT yields for the cycle is likely to be in the 3-3.25% range, consistent with what was seen in the last cycle (see Exhibit 1), and we see a relatively low probability of a shift higher in backend yield ranges near-/medium-term. Such a shift would require the market to structurally raise its view of long-term inflation towards a higher for longer paradigm, akin to pre-'14 regime where 5y5y inflation was anchored around 3% (see Exhibit 2).

In fact, 10y UST yields could already be past their peak in the cycle. Peak US inflation is likely behind us, and the market expects convergence into the low-4% range for core PCE by end-22. This allowed the market to refocus its attention more recently on the tightening of financial conditions and a challenging macro backdrop, which drove the pullback in yields and an increase in the bond yield / risky assets correlations (more negative) – see Still a role for USTs in portfolios.

In the absence of a shift in paradigm for yield ranges in the US, we find it more likely that USTs lag a bearish dynamic in global yields and the higher beta that had been realized in the 2021-22 selloff.

Exhibit 1: 10yT vs US leading indicators
Peak yields for 10yT c.3-3.25% over the last decade



Source: BofA Global Research, The Conference Board, Bloomberg

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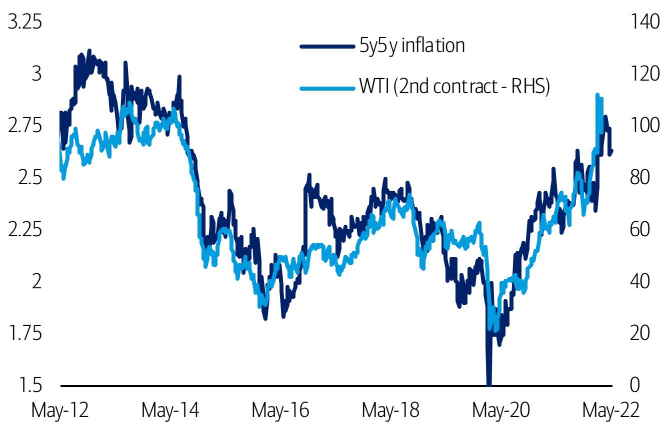
Exhibit 2: 5y5y inflation collapsed in the '14 commodities rout...
... recent 5y5y levels c. 2.6% short of pricing a shift in paradigm



Source: BofA Global Research; Bloomberg

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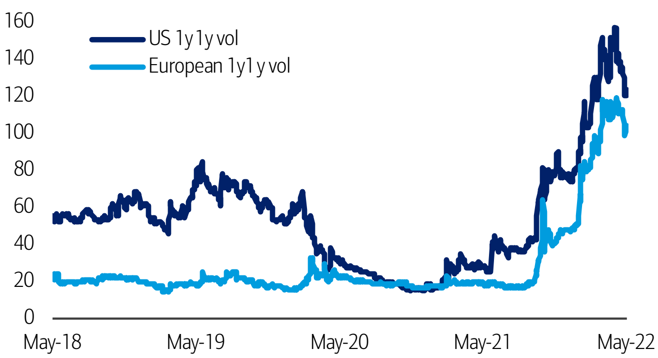
USTs to outperform on risk-off moves

In a context of heightened uncertainty and deteriorating risk outlook, investors are likely to continue to favor the safety of the dollar and USTs. It is true that a higher inflation context erodes to some extent the role of USTs as a hedge for portfolios, but not more so than other DM yields. Relative to most developed market central banks, the Fed also has more scope to ease in a global slowdown. This likely implies a more orthodox dynamic in risk off moves where USTs benefit from global flows, even in a relatively unorthodox context where a slowdown may happen in a higher inflation context.

Exhibit 3: US and European 1y1y vol

c.32bp collapse from the peak in US vol vs. 15bp move in European vol



Source: BofA Global Research; Bloomberg

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Exhibit 4: Performance of US vs European vol over the last month

Outperformance of US vs European vol across the grid

	1y	2y	3y	5y	7y	10y	30y
1m	-32.5	-49.5	-47.5	-42.5	-34.1	-22.9	-21.5
3m	-36.0	-20.4	-27.2	-27.1	-19.8	-13.3	-8.7
6m	-29.0	-15.5	-20.7	-18.8	-8.5	-7.9	-5.1
1y	-21.5	-18.0	-18.0	-13.1	-10.2	-7.9	-4.8
2y	-14.9	-13.8	-14.9	-13.1	-9.9	-7.6	-6.7
3y	-11.5	-11.0	-10.4	-10.2	-8.6	-7.3	-6.8
4y	-10.5	-9.3	-8.7	-6.3	-6.5	-7.1	-6.0
5y	-6.7	-7.3	-7.5	-4.9	-5.8	-7.0	-4.8
10y	-3.7	-4.4	-4.4	-4.5	-4.5	-4.1	-2.3
15y	-7.8	-7.6	-6.8	-5.8	-5.4	-4.7	-3.3
30y	-8.8	-7.5	-6.4	-4.9	-4.3	-3.5	-1.1

Source: BofA Global Research; Bloomberg

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Central bank and rate uncertainty more pronounced in EUR vs USD

Besides the fact that we may be at a different stage in the inflation and growth cycle, we see 5 reasons to believe high vol can persist for longer in EUR rates than in US rates:

1. **Differential in central bank forward guidance**: The Fed is now providing clearer forward guidance to the market (e.g., making it clear they intend to hike by 50bp in each of the next two meetings). This has led to a 30bp collapse of volatility on the left side of the grid (see Exhibit 3 and Exhibit 4). The ECB's president Lagarde has tried to provide more clarity too, by signaling a return to 0 by end of 3Q, but her implicit endorsement of 25bp hikes in Jul & Sep have been met by hawkish language from many other speakers, signaling uncertainty still, and potential for 50bp moves.

2. **The Fed's reaction function is also clearer:** Beyond the fact that growth and wage inflation have been strong in the US and that the Fed's hawkishness is thereby arguably more justified than the ECB's, the US market has the benefit of having experienced many more complete hiking cycles than in the Euro Area, and may have a better sense of the Fed's reaction to a decline in risk assets.

3. **Greater uncertainty on the level of neutral rate in EUR**: The Fed is providing long-run dots, as an initial estimate of the neutral rate, and we can clearly see that the market has taken this estimate on board, with an inversion in the 3y1y-1y1y curve when 1y1y sold off above 2-2.5%. We are only just starting to hear from ECB speakers about their views on neutral, and the range of estimates is large (0.5-2%).

4. **Greater uncertainty around term premia in EUR**: The ECB is still purchasing bonds, and will only end net QE buying in June. It has committed to conduct full PEPP reinvestments until end of 2024, but there is no calendar guidance on APP reinvestments. Lagarde's mention in her blog that it is premature to discuss QT suggests that hawkish ECB members may have started considering the discussion.

5. **Potential changes in EUR rate hedging flows**: In the long-end due to the Dutch Pension Reform that should be decided in 3Q, the end of the negative interest rate policy in both the Eurozone and Japan, as well as solvency II changes for insurers over coming years.

EUR rates vol trades at a premium relative to USD vol when normalized by delivered (see Exhibit 5), but this premium appears to have declined compared to the past 3 months, especially in 7y and 10y tails (Exhibit 6). We believe this cheapening should be faded.

Exhibit 5: EUR vs USD ratios of Implied/3M Walk vol (EUR div by USD)

Ratios are over 1: EUR Implied trades at higher premium vs delivered...t

	1Y	2Y	5Y	7Y	10Y	30Y
3M	1.6	1.21	1.16	1.15	1.1	1.17
6M	1.38	1.09	1.09	1.11	1.09	1.15
1Y	1.12	1.07	1.07	1.12	1.1	1.17
2Y	1	1.01	1.06	1.1	1.11	1.16
3Y	1.01	1.03	1.07	1.1	1.12	1.15
5Y	1.07	1.08	1.1	1.11	1.13	1.15
10Y	1.1	1.11	1.13	1.14	1.14	1.14

Source: BofA Global Research, As of 27-May

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Exhibit 6: 3M Z-scores of EUR / USD ratios of Implied/3M Walk vol

...but the richness of EUR vol has declined compared to past 3 months

	1Y	2Y	5Y	7Y	10Y	30Y
3M	-0.72	-1.2	-1.31	-1.64	-1.83	-1.09
6M	-1.64	-2.14	-2.23	-2.25	-2.16	-1.46
1Y	-1.94	-1.72	-2.17	-2.43	-2.4	-1.79
2Y	-1.72	-1.77	-2.04	-2.11	-2.22	-1.67
3Y	-1.58	-1.56	-1.83	-1.93	-2.18	-1.88
5Y	-1.49	-1.47	-1.83	-1.88	-1.97	-1.94
10Y	-1.79	-1.81	-1.87	-1.89	-2.02	-2.17

Source: BofA Global Research, As of 27-May

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Resulting swaptions recommendations in EUR and USD

EUR: bearish trades, and tail hedges

We have two outstanding front-end bearish swaptions trades in EUR:

(1) **Long 2y1y payer vs 4y1y OTM payer,** entered at the end of March, to position for the pricing of an ECB overshoot relative to neutral (see Rates EU of the Global Rates Weekly). It is now valued at -100K and we target 90K with a stop at -190K. The risk to the trade is continued paying flows in the 5-20y part of the curve, driving a bear steepening of the 3-5y part of the curve.

(2) **Long €100mln 1y1y 1.45%/2% payer spread**. We recommended the trade last week, at €150K to position for a repricing higher of the ECB's terminal rate (current: €220K). The 1y1y rate has moved 25bp since then, with the implied terminal €STR rate moving to 1.5%. The risk-reward on the trade is now more balanced, but comments from ECB members on the need to hike beyond neutral should support the selloff. The main risk to the trade is weaker-than-expected growth data.

As implied volatilities dropped last week, we like using swaptions to hedge against tail risks in the long-end of the EUR curve. Last week, we recommended in particular:

(3) **Buying 6m30y ATM+20bp payer (1.9% strike),** at a cost of 16bp (current: 19.5bp). We target 45bp, with a stop at 0bp. The breakeven of 2.06% corresponds to the levels from late-Jul-14, just before Draghi pre-announced QE. 6m30y is interestingly one of the cheapest points of the vol surface on our regressions vs the PCs of the swap curve. The risk to the trade is a rates rally on 30y receiving flows from Pensions.

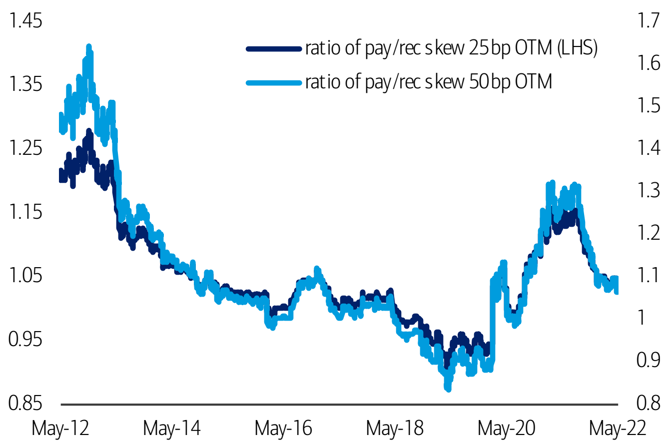
(4) **Buying 1y15y ATM-50bp receiver (1.54% strike),** at a cost of 15bp (current: 13.6bp). We target 45bp with a stop at 0bp. The 15y is the highest point on the swap curve, having been under pressure from structural paying flows. Receiving demand from P&I would more likely materialize there if rates stabilize. The breakeven of 1.4% would be consistent with the pricing in of an ECB terminal rate at around 1% and a smaller 25bp Depo-Refi corridor. The risk is continued paying flows in the belly.

USD: biased towards receivers

In the US, our recent bias has been towards long receiver spreads, particularly as we believe the market is likely to start assigning a higher probability to Fed pause scenarios later in the year (as the Fed gets to 2% in the context of a downward inflation trajectory, a deteriorating global/US macroeconomic backdrop, and tighter US financial conditions).

We recommended recently **buying 9m5y receiver spreads ATM/ATM-50bp fully financed by selling 9m5y ATM+50bp payers** (see A Sept pause for FOMC might be in store, current: -3bp, risk a selloff beyond the short payer strike with potentially unlimited downside). The position takes advantage of the fact that payer skew still trades above receiver skew (see Exhibit 7), when in fact the arguments above support a context where receiver skew trades flat to payer skew or even slightly above.

Exhibit 7: Ratio of US 1y5y pay/rec skew for 25bp & 50bp OTM strikes
Payer skew has cheapened but ratio to receiver skew still >1 (c.1.03-1.06 ratios for 25-50bp out strikes respectively)



Source: BofA Global Research

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Exhibit 8: Vol pick-up for long EUR ATM payer vs USD OTM payer
The pick-up is slightly negative in 7-10y tails

	2y	5y	7y	10y	20y	30y
3m	-0.1	-1.7	-1.4	0.1	-3.1	-6.5
6m	4	0.4	-0.6	-0.7	-4.8	-9.4
1y	5.5	2.9	-0.9	-1.2	-8.8	-13.7
2y	10.7	4.8	-0.8	-3.5	-14.2	-19.2
3y	11.3	3.2	-2.8	-6.3	-17.2	-22.1
5y	3.9	-1.7	-6.6	-11.2	-22.8	-27.7

Source: BofA Global Research, As of 31-May

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EUR vs USD: Long EUR payer spreads vs far OTM payers in US

To position for a potential continued underperformance of EUR rates and a renewed richening of EUR rates vol, we considering funding payers in EUR with OTM ones in USD. But the vol differential being small at the moment, the sale of OTM payers in EUR is also required (see Exhibit 8 for vol pick-up in long EUR ATM payer vs USD OTM payer).

We recommend buying €100mln 2y10y EUR ATM/ATM+60bp payer spread (strikes of 2.13%/2.73%) fully funded by the sale a 2y10y ATM+90bp US payer (SOFR strike of 3.6%). We target €600K with a stop at -€300K. The trade has unlimited downside in case of a major selloff in US rates beyond the OTM strike. From a mark to market perspective, the risk to the trade is a larger selloff in US rates vs EUR rates.

We chose 2y options instead of shorter-dated expiries due to the greater cheapness of the 2y10y point in EUR:

a- Relative to delivered vol – see Exhibit 12 for the z-score of implied/3M walk vol

b- Relative to rates – see **Error! Reference source not found.**

c- Relative to other expiries – see Exhibit 16 for the z-score of calendar spreads.

The payer skew has also cheapened less in 2y10y vs 1y10y, making it more attractive to sell OTM payers at that point of the surface (see Exhibit 18).

EUR rates vol monitors

Current volatility surface, and z-scores

It is 3m2y that trades at highest implied vol on the surface, but historically, all the top left stands out, with 3m1y trading at a z-score of 5.6 based on data since Jul-13.

Exhibit 9: At The Money (ATM) Implied vol in bp/day

Swaptions imply that 2y can move by over 7bp per day over next 3 months

expiry\tail	1y	2y	5y	7y	10y	30y
3M	6.4	7.3	6.8	6.5	6.0	5.9
6M	6.6	6.9	6.4	6.2	5.9	5.9
1Y	6.5	6.7	6.1	6.0	5.7	5.5
2Y	6.4	6.4	5.9	5.8	5.5	5.1
3Y	6.2	6.2	5.8	5.6	5.4	4.8
5Y	5.8	5.7	5.4	5.3	5.0	4.4
10Y	4.8	4.8	4.6	4.5	4.3	3.7

Source: BofA Global Research, as of 30-May-22

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Exhibit 10: Z-score of implied vols using data since Jul-13

The top left is the highest historically, with 10y10y just 0.5 stdev above avg

expiry\tail	1y	2y	5y	7y	10y	30y
3M	5.6	5.2	4.0	3.8	3.2	2.1
6M	5.3	4.7	3.7	3.6	3.1	3.1
1Y	4.5	4.3	3.4	3.3	2.9	2.2
2Y	3.6	3.5	3.0	2.8	2.5	2.0
3Y	2.9	2.9	2.6	2.5	2.2	1.8
5Y	2.2	2.2	2.0	1.9	1.6	1.5
10Y	1.3	1.3	1.0	0.8	0.5	1.1

Source: BofA Global Research, as of 30-May-22

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Gamma vol: Implied compared to Walk (realized) volatility

Following their recent decline, implied vols are now below delivered across most of the surface. The z-scores, based on data since Jul-13, are negative across the board, with the ratio in 2y2y close to 2 standard deviations below the historical average.

Exhibit 11: Implied vol / 3M Walk volatility

Although implied vols are historically high, they are mostly below delivered

expiry\tail	1y	2y	5y	7y	10y	30y
3M	1.65	1.18	1.01	1.00	0.94	1.01
6M	1.36	1.02	0.93	0.94	0.91	1.00
1Y	1.00	0.90	0.87	0.90	0.88	0.92
2Y	0.82	0.81	0.83	0.85	0.84	0.84
3Y	0.79	0.78	0.81	0.82	0.82	0.80
5Y	0.76	0.76	0.77	0.77	0.78	0.72
10Y	0.65	0.66	0.68	0.68	0.67	0.61

Source: BofA Global Research, as of 30-May-22

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Exhibit 12: Z-score of Implied/3M Walk vol, since Jul-13

In fact, implied vols historically cheap across the surface relative to delivered

	1y	2y	5y	7y	10y	30y
3M	0.0	-0.5	-0.6	-0.6	-1.0	-0.8
6M	-0.5	-0.9	-1.1	-1.0	-1.3	-0.9
1Y	-1.0	-1.3	-1.3	-1.3	-1.5	-1.2
2Y	-1.6	-1.9	-1.6	-1.5	-1.7	-1.4
3Y	-2.0	-1.9	-1.8	-1.7	-1.7	-1.3
5Y	-2.1	-2.0	-1.7	-1.6	-1.5	-1.5
10Y	-1.9	-1.9	-1.8	-1.6	-1.6	-1.4

Source: BofA Global Research, as of 30-May-22

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Implied volatilities regressed versus components of rates

To see where implied volatilities should trade based on their relationship versus rates and curve dynamics, we regress each point of the vol surface versus the first three principal components of the swaps curve. We use data since Feb-20. Exhibit 13 shows the resulting residuals across the surface, together with the z-score of that residual. Exhibit 14shows the Rsquare of those regressions.

Exhibit 13: Residual (z-score of residual) of regressions of implied vol points versus the first three principal component of swaps curve

Left hand side implied vol is trading above fair value, while 7y+ tails are below

expiry\tail	1y	2y	5y	7y	10y	30y
3M	5.8 (1.1)	2.9 (0.6)	3.5 (0.6)	0.4 (-0.1)	-5.8 (-1.1)	-2.1 (-0.4)
6M	1.6 (0.4)	0.6 (0.2)	0.7 (0.1)	-1.0 (-0.3)	-4.9 (-1.1)	-4.9 (-1.1)
1Y	0.5 (0.2)	1.7 (0.4)	-1.5 (-0.4)	-3.2 (-1.0)	-5.6 (-1.5)	-5.1 (-1.0)
2Y	3.6 (0.7)	3.7 (0.8)	-0.9 (-0.2)	-2.3 (-0.7)	-5.6 (-1.6)	-4.9 (-1.2)
3Y	3.4 (0.7)	3.0 (0.7)	-0.6 (-0.2)	-1.9 (-0.6)	-4.4 (-1.5)	-4.3 (-1.3)
5Y	1.7 (0.5)	2.1 (0.6)	-1.2 (-0.4)	-2.1 (-0.8)	-3.1 (-1.2)	-3.9 (-1.5)
10Y	1.1 (0.5)	1.6 (0.8)	-0.1 (-0.1)	-1.0 (-0.6)	-2.4 (-1.4)	-1.6 (-1.0)

Source: BofA Global Research, as of 30-May

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Exhibit 14: R-squares of regressions of vol vs PCs of rates

Based on data since Feb-20, Rsquares are >0.85 across all but 30y tails

expiry\tail	1y	2y	5y	7y	10y	30y
3M	0.95	0.98	0.97	0.96	0.94	0.83
6M	0.98	0.98	0.98	0.97	0.95	0.95
1Y	0.98	0.98	0.98	0.97	0.95	0.86
2Y	0.98	0.98	0.97	0.96	0.94	0.86
3Y	0.97	0.97	0.96	0.96	0.93	0.85
5Y	0.95	0.95	0.95	0.94	0.92	0.84
10Y	0.93	0.93	0.91	0.9	0.86	0.75

Source: BofA Global Research

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This suggests top left vol can correct lower given the current level/slope of rates curve, but argues against fading the elevated level of vol in 7-30y tails. At 87bp, 2y10y vol trades 6bp below the level implied by this regression.

Calendar spreads relative to the past year

Looking at the more recent data for calendar spreads (via 1y z-scores) supports the above results on the richness of the very top left vol (3m2y in particular vs 6m2y). Exhibit 16 also highlights the historical cheapness of 2y10y vol and that of 10y10y.

Exhibit 15: 1y z-score of calendar spreads for 2y tail
3m vol appears elevated relative to longer dated expiries (especially 6m)

	1M	3M	6M	1Y	2Y	3Y	5Y
3M	1.3						
6M	1.8	2.1					
1Y	1.9	2.0	1.7				
2Y		1.9	1.7	1.5			
3Y			1.7	1.5	1.3		
5Y				1.4	1.2	1.1	
10Y						1.1	1.1

Source: BofA Global Research, as of 30-May

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Exhibit 16: 1y z-score of calendar spreads for 10y tail
2y10y vol appears cheap from the historical perspective

	1M	3M	6M	1Y	2Y	3Y	5Y
3M	1.51						
6M	1.49	1.10					
1Y	1.49	1.19	1.19				
2Y		1.28	1.30	1.35			
3Y			1.21	1.18	0.96		
5Y				1.26	1.19	1.35	
10Y					1.59	1.78	2.03

Source: BofA Global Research, as of 30-May

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Assessing the valuations of skews

As with every period prior to the start a hiking cycle, implied vol in the top left has been very directional, rising in the selloff since October, supporting a richening of payer skews. However, as we had argued in February, with a lot already priced in for the ECB, receiver skews have also started to be well supported.

To assess the current value of skews, aside from looking at the ratio or spreads of Out of the Money (OTM) versus ATM vol., we like to compute the breakeven in zero-cost payer and receiver ladders and compare that breakeven to the level of implied vol (Exhibit 17). Looking at the 3M z-score of these ratios shows the start of the process of richening in receiver skews (Exhibit 18).

Exhibit 17: Ratios of breakeven in zero-cost ladders / implied volatilities
Payer skews trade at a premium, especially in intermediate expiries on short tails

	Payers						Receivers					
expiry\tail	1Y	2Y	5Y	7Y	10Y	30Y	1Y	2Y	5Y	7Y	10Y	30Y
3M	1.15	1.15	1.14	1.13	1.10	1.01	0.90	0.89	0.90	0.92	0.94	1.02
6M	1.25	1.25	1.22	1.20	1.17	1.04	0.88	0.88	0.89	0.91	0.94	1.05
1Y	1.35	1.33	1.28	1.23	1.17	1.04	0.84	0.84	0.87	0.89	0.92	1.04
2Y	1.41	1.37	1.31	1.27	1.22	1.06	0.82	0.83	0.86	0.88	0.91	1.04
3Y	1.46	1.39	1.30	1.26	1.21	1.05	0.82	0.83	0.86	0.88	0.91	1.04
5Y	1.52	1.41	1.27	1.24	1.19	1.03	0.82	0.84	0.86	0.88	0.91	1.02
10Y	1.31	1.30	1.20	1.16	1.11	1.04	0.85	0.86	0.91	0.93	0.96	1.01

Source: BofA Global Research, as of 30-May

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Exhibit 18: 3M Z-score of the ratios in Exhibit 17 (ladder breakevens/implied vol)
Payer skews appear to have cheapened while receiver skews richened (especially in 6m10y)

	Payers						Receivers					
expiry\tail	1y	2y	5y	7y	10y	30y	1y	2y	5y	7y	10y	30y
3M	-2.1	-3.5	-3.6	-2.8	-0.7	-0.2	2.3	2.3	2.3	2.4	2.6	2.0
6M	-2.9	-3.2	-3.1	-3.4	-1.0	0.1	2.6	2.8	2.7	3.1	3.9	0.8
1Y	-2.6	-2.5	-2.3	-2.6	-1.8	-2.5	2.4	2.5	2.4	2.6	1.6	2.0
2Y	-1.3	-1.3	-2.2	-2.4	-0.7	-1.5	2.0	2.0	2.7	2.9	1.2	1.8
3Y	-1.6	-1.7	-2.4	-2.6	-0.5	-1.9	2.0	2.0	2.7	3.0	0.8	2.4
5Y	-1.7	-1.7	-2.7	-1.8	0.0	-2.1	1.9	1.8	2.9	2.0	0.1	2.3
10Y	-1.4	-1.5	-1.7	-1.5	-0.1	-1.9	1.6	1.5	1.7	1.7	0.8	1.9

Source: BofA Global Research, as of 30-May

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Notable Rates and FX Research

- **Global Rates, FX & EM Year Ahead 2022** – "Year Ahead 2022: Top trade-offs," 21 Nov 2021
- **Pricing stagflation, Global FX Weekly**, 20 May 2022
- **Growth needs a booster, Global Rates Weekly**, 20 May 2022
- **Anatomy of the risk-off, Liquid Cross Border Flows**, 16 May 2022

Rates, FX & EM trades for 2022

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

Global FX Weekly: Pricing stagflation 20 May 2022

Global Rates Weekly: Growth needs a booster 20 May 2022

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