

5.27.25

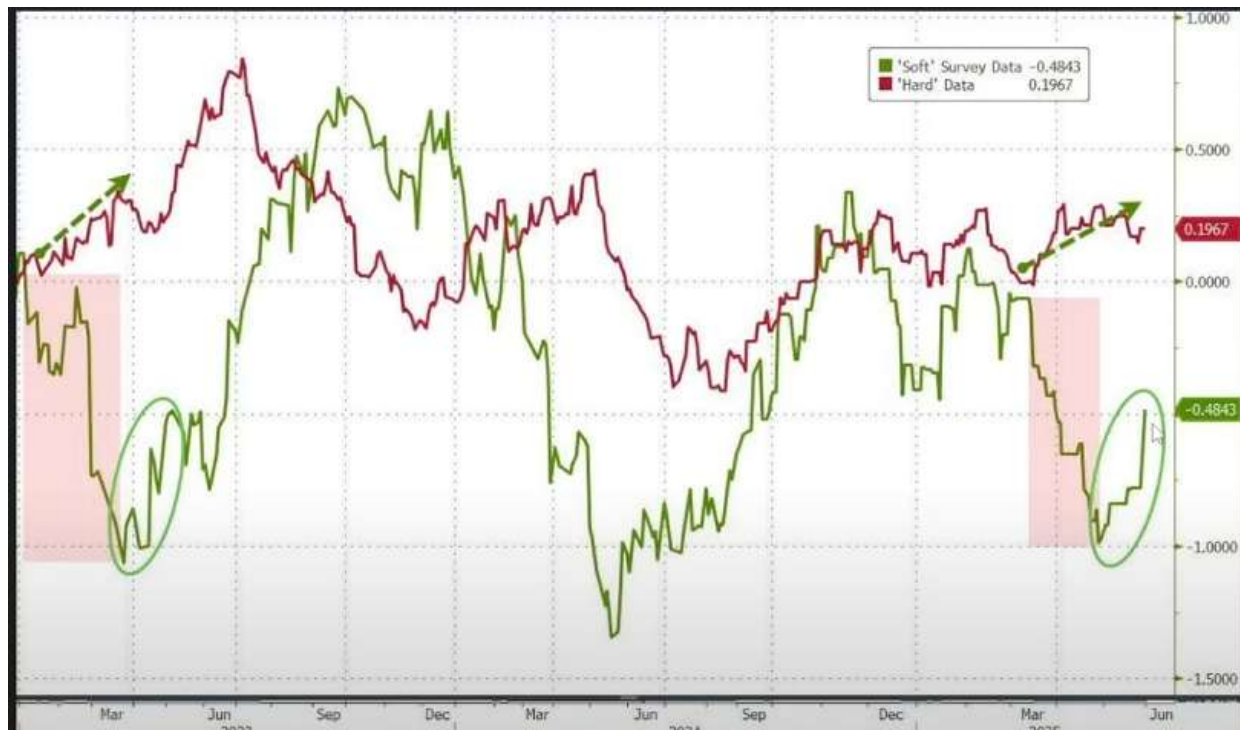
Tuesday, May 27, 2025 9:03 PM

Key Data

- EU news went from negative to positive over the weekend and Japan caved in regards to rates kinda
- Trump said 50% tariff & said there not negotiating in good faith
- Agreement was made to postpone the deadline; originally June 1st; delayed until July 9th - main reason why we were bullish today
- We even got a bid on US bonds because of the trade
- The reason why the Japanese bonds got such a bid today is because of the survey - bank of Japan put out a survey to banks & investors & asked them about long term issued securities - which they've never done before. This led people to think Japan was worried
- NVDA earnings is really the main event this week
- Fed minutes tomorrow & PCE Friday but the data is quietly getting a lot better on the soft side
- Earnings have been doing alright - capex hasn't gone lower on many company's - the risk on NVDA earnings will be the guidance, they might kill it, guide lower & the stock drops 15% - the guidance is all that matters imo
- Soft data is beginning to get a lot better & nobody is talking about that, consumer sentiment got a little worse but well see how that progresses
- Positioning still low, rates, spending & trade policy the big factors but nothing really new aka no structural shift, but were also almost halfway done with the year

Plays

- Longterm has been killing it, NVO massive day & PZZA again as well - not adding but actively looking
- CRWV - Should respond before & after NVDA and this is where all the money has been lately so keeping watch & already made plays today around the earnings
- PEP - Still like it for risk on or safety in risk off, no position as of now
- BA - Other trade deals and cool off after the run, just keep it on watch



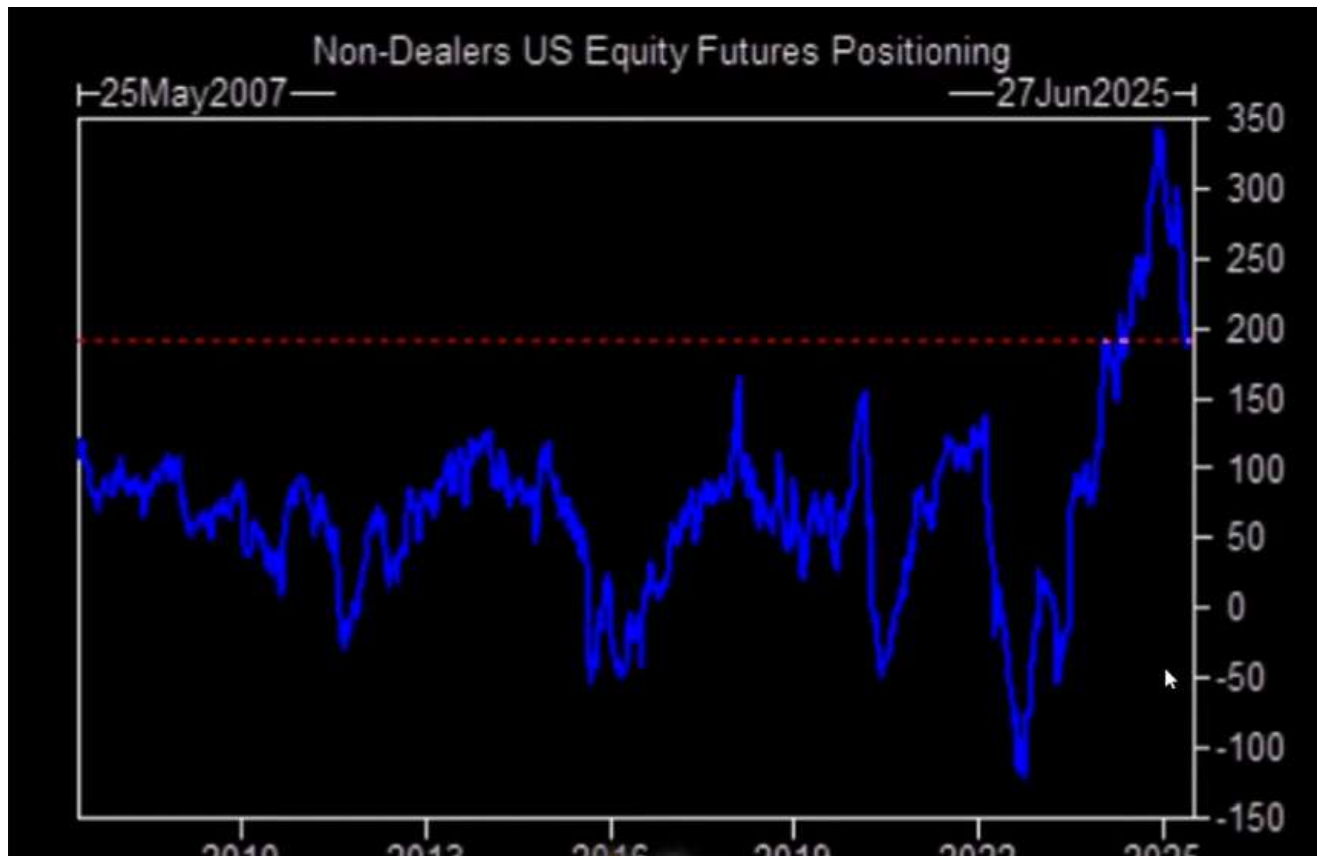


Chart 11: US govt deficit has averaged 9% of GDP past 5 years

US government budget balance (% GDP)



Source: BofA Global Investment Strategy, GFD. *Moody's forecast

Chart 12: US government interest expense almost \$1tn a year

US Treasury net interest payments, 12-month cumulative (\$ bn)



Source: BofA Global Investment Strategy, Haver

BofA GLOBAL RESEARCH

3.75% on the long end of the curve is the sweet spot on our longterm debt to which we do not add interest to the debt we have today - this is confusing but important

Chart 10: China government bond yield lower than Japanese yield

China and Japan 30-year government bond yields %

