Global Rates Weekly

Fool me once, fool me twice

28 March 2025

Rates Research
Global

The View: Big Wednesday

A big week ahead, with what would normally be headlining acts – US payrolls and Eurozone Flash CPI – likely to concede top billing to tariffs on Wednesday. The downside risks to growth that tariffs present support our constructive rates view, while our economists' call for a sub-2% Euro CPI print reinforce the bullish message there.

— M. Capleton

Rates: Rates super-fly

US: Stay constructive belly duration but pay June '25 FOMC OIS on solid data.

EU: We remain bullish duration. We discuss upside to 2025 EGB and EU supply. We believe extra bond issuance for 2025 is almost purely a German story at this stage.

UK: Gilt Remit did not disappoint and we hold onto long G vs. WN invoice spreads. We also update our yield forecasts post macro data & Spring Forecasts.

AU: We see RBA pausing in April but cutting in May. We have lowered our rate forecasts and maintain our long bias, especially after a weak monthly AU CPI.

JP: We discuss flows and trades for Japan's new fiscal year starting next week.

CA: Tariff risk weighs on CA rates, we revise our rates forecast lower across the curve.

— M. Cabana, B. Braizinha, R. Axel, K. Craig S., Salim, E. Davidsson, A. Stengeryte, M. Capleton, S. Yamada, T. Yamashita, O. Levingston & J. Liu

Front end: Debt limit timing shifts 2Y spread risks

US: Recent headlines highlight the risk of an earlier debt limit resolution to our constructive front-end spread view.

— M. Cabana, K. Craig, R. Axel

Spreads: Scope for 10y EURUSD xccy basis tightening

EU: German swap spreads tightened vs US, which can tighten the EURUSD xccy basis.

— R. Man. S. Salim

Technicals: Liberating levels for US 10Y and US 5s30s

We recap the daily charts and key levels for US10Y yield, US5s30s, euro, SPX & Copper. US 10y yield resistance +/- 4.45%. US 5s30s reached our year ahead target.

— P. Ciana

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Our medium term views

Exhibit 1: Our medium-term views

Global views

	Rationale
Duration	• US: slight constructive duration bias, trade 4-5% range in 10y and fade extremes • EU: We are bullish the front-end receiving Dec ECB €str to position for a structural repricing lower of the ECB's terminal rate. We turn bullish further out too, with long 15y OAT. • UK: We are broadly neutral Sonia relative to the forwards in the 10y, forecasting Sonia at 4.25% by end-2026. • JP: We believe the JGB yields will rise in a gradual manner. Our 10yr JGB yield forecast at end-2025 is 1.65%. The BoJ is still on track for gradual normalization. • AU: bullish 3-5y sector as prices converge with our expected terminal cash rates/ neutral rate. Risk of overshoot in global equity market sell-off.
Front end	• US: Mar / Sept '25 SOFR/FF curve flattener with (1) 1H '25 TGA drop & funding stability (2) TGA snapback in 2H '25 • EU: Bank demand for excess liquidity may outstrip supply. Wholesale funding cost to rise: Euribor-€str widening, repo to stay cheap vs €str. • UK: We expect the next rate cut in May, three cuts in 2025 and one more in 2026. Our front-end Sonia forecasts lie increasingly below the forwards through forecast horizon. • JP: We expect the BoJ to deliver two additional rate hikes in 2025. TONA is likely to remain slightly below IOER in 2025. • AU: We recommend Mar '25/ Sep '25 BOB steepeners to position for tighter funding market spreads and uneven global liquidity dynamics in H1/H2 '25
Curve	• US: We favor 5s30s steepeners with Fed cuts and risk of reacceleration in 2H '25, supply concerns also support higher long-term rates • EU: We expect a repricing of the terminal rate lower over time, This should come with more steepening than forwards are pricing in 2H25. We look for a shift in P&I duration demand from the 30y to shorter maturities, leading to additional steepening pressures on 10s30s from mid year. • UK: We have tempered our Sonia steepening up to 10y bias by closing our 1yf 2s10s steepener, but maintaining short in 3s5s7s Sonia fly • JP: We expect the 5s30s JGB curve to flatten, reflecting the potential policy rate hikes and upcoming cut in 30yr and 40yr JGB auction sizes from April. • AU: The 3s10s curve should steepen to around 100bps over the next 12 months.
Inflation	• US: 1y4y inflation swap long, with stubborn "last mile" inflation pressures, no landing, and asymmetric upside inflation risks around policy changes. • EU: We favor receiving 10y Euro real rates against paying 10y US real rates, BTPei 2039 iota narrowers, and US-Euro 2y3y inflation spread wideners. • UK: We recommend paying 5y UK real swap rates (combining Sonia and RPI swaps) versus Euro equivalent and being short 5y RPI. • JP: 10y BEI should increase in 2025, given a rise in USD/JPY and supports from the BoJ and MoF.
Spreads	• US: neutral 30Y spreads with long end supply / demand imbalance offset by de-regs focus; leaning towards tactical widening bias as de-regs theme plays out. • EU: we are neutral on periphery spreads. We see risks of a widening near term, but believe medium to long term outlook is more positive, We turn bullish on OATs for the very near term. We expect stable 5-10y swap spreads, but see scope for some cheapening in bills & Schatz spreads, vs some richening in 30y Buxl spreads in 2H25. • UK: We expect low coupon UKT 0.125% 2028s to perform relative to UKT 4.375% 2028s on ASW and are long 10y Gilt vs. 30y UST invoice spreads. • JP: We expect medium-term spreads to remain positive within 2025 given (1) the potential for additional BoJ rate hikes and (2) BoJ's QT. • AU: We see wider swap spreads, especially in the front end given elevated funding risks, but flatter swap EFP box given bond supply is typically concentrated around 10y sector.
Vol	• US: Vol supported by uncertainty. '25 targets: 100-115bp 1y10y in 1H & 85-100bp in 2H; 1y1y c.110-120bp, Gamma flat vs intermediates • EU: We expect implied vols to come lower with 1y10y around 70bp range and LHS cheapening vs RHS. Gamma to stay well supported (1y10y vs 1m10y at 0-5bp). • AU: Lower vol with 1y10y c.70bpbp and left side likely to underperform the right side in'25

Source: BofA Global Research

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Our key forecasts

Exhibit 2: Our key forecasts

Global forecasts

% EoP	2023	2024	Q2 25	Q3 25	YE 25	Q1 26	Q2 26	YE 26
Fed Funds	5.25-5.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50
10-year Treasuries	3.88	4.57	4.30	4.40	4.40	4.55	4.60	4.75
ECB refi rate	4.50	3.15	2.15	1.65	1.65	1.65	1.65	1.90
10y Bunds	2.02	2.36	2.75	2.50	2.50	2.65		2.75
BoJ	-0.10	0.25	0.75	0.75	1.00	1.00	1.00	1.25
10y JGBs	0.61	1.09	1.50	1.50	1.50	1.65	1.75	2.00
BoE base rate	5.25	4.75	4.25	4.00	3.75	3.50	3.50	3.50
10y Gilts	3.53	4.56	4.75	4.70	4.70	4.65	4.65	4.65
RBA cash rate	4.35	4.35	3.85	3.85	3.60	3.60	3.60	3.60
10y ACGBs	3.96	4.36	4.05	3.90	3.90	3.80	3.85	4.00

Source: BofA Global Research

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What we like right now

Exhibit 3: What we like right now

Global views

AMRS :	Constructive duration, short 30Y spreads, long 1y4y inflation, long fwd vol
EMEA :	We go long 15y OATs. We are received Dec ECB estr, and in 2y3y US-EUR inflation spread wideners.
APAC:	Buy 3y bond futures (YM), pay Aug '25 RBA as hedge. Spreads: Mar/ Sep bills OIS basis steepener.

Source: BofA Global Research; For a complete list of our open trades and those closed over the past 12 months, please see below.

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The View

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The week that will be

Next week will bring March data for US payrolls and the Eurozone flash inflation print. In any normal week they would be vying for star billing in the market's line-up of events, but both are likely to fill supporting roles to the reciprocal tariff announcements scheduled for Wednesday.

To the extent that tariff uncertainty is reduced after Wednesday, that's good news perhaps. Markets hate uncertainty, as the saying goes. However, there's the other market saying that it's better to travel hopefully than to arrive.

For the Eurozone, our interpretation of "reciprocal tariffs", in isolation, should not present too great a threat; the concern is that scope is broadened to encompass VAT and (actual or perceived) non-tariff barriers.

Downside risks to growth leave us constructive US and Euro rates. For the Eurozone, where we are received Dec ECB €str and where we recommended longs in 15y OATs last week, a headline print of 1.9% for CPI with core at 2.3% (our economists' call), should be a more immediate help. A sub 2% print, if realized, should also be supportive of our US-Euro 2y3y inflation widener idea.

Being month- and quarter-end, thoughts turn to front-end liquidity. Here we expect a smooth passage in the US, especially after the Fed's additional SRF operations.

And we must also spare a thought for month-end index extensions, where it's worth flagging the 0.18 increase for Euro linker indices, with the March 2026 OATei issue exiting (the first of three consecutive month-end exits, to give a cumulative 0.6 extension by end-May).

The week that was

In an appetizer for next Wednesday's tariff main course, President Trump announced 25% tariffs on imports of cars and light trucks, with the aim of reshoring production. This helped firm front-end inflation (where we favor longs in 1y4y CPI).

The Gilt market's first take on Wednesday's Spring Forecast from the UK Chancellor was favorable, delivering bull-flattening, and this came hot on the heels of a downside surprise for UK CPI (the February print).

A total Gilt supply envelope for 2025-26 that was kept under £300bn and a greater-than-expected reduction in the long-end proportion were both welcomed. However, Gilts had second thoughts on Thursday, selling off versus peers, with skepticism about the achievability of fiscal projections moving to the fore.

Rates – US

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- Stay constructive belly duration but pay June '25 FOMC OIS on solid data
- Rate forecasts now lower with near-term slower growth, stable by end '26

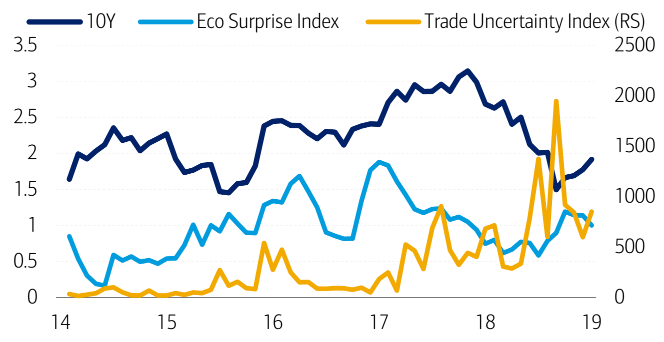
Rates super-fly

US rates bear steepened on the week but remain broadly range bound. We expect this will persist through April 2 tariff announcement & April 4 payroll data (our economists base case = headline NFP 185k & 4.1% U-3). Clients generally suggest low confidence in the April 2 announcement & expect another solid labor market print.

The US rates market is stuck between soft & hard data. Soft data points to a slowdown but hard data remains resilient; upside inflation risks persist. The recent spike in trade related uncertainty is a headwind to growth, but unlikely enough to materially push rates lower unless the data weakens. In 2019, higher trade uncertainty coincided with weakening US data surprises & pushed rates lower (Exhibit 4). Today, trade uncertainty measures are higher vs '19 but US rates have been unable to break the bottom end of recent ranges as US hard data remains stable & data surprise sideways. It will take a break in the hard data to justify Fed cuts & lower rates.

As the market waits for hard data to confirm the data turn, we like to pay June FOMC OIS. Rates markets are pricing what we believe is too high a likelihood that the Fed will deliver a 25bp rate cut in the June FOMC meeting, which takes place June 18 and will have one FOMC meeting preceding it on May 7. We think that June is too early for the Fed to decide given high levels of uncertainty in its outlook that will take time to see in the data. We recommend paying June FOMC at 4.15% (see Pay June FOMC OIS).

Exhibit 4: 10y (%), economic surprise (pts) & trade uncertainty (pts)
Rate declines in '19 occurred with weaker data & against a backdrop of increasing trade uncertainty



Source: Bloomberg, Baker Bloom Davis; note +1 added to econ index for scaling purposes
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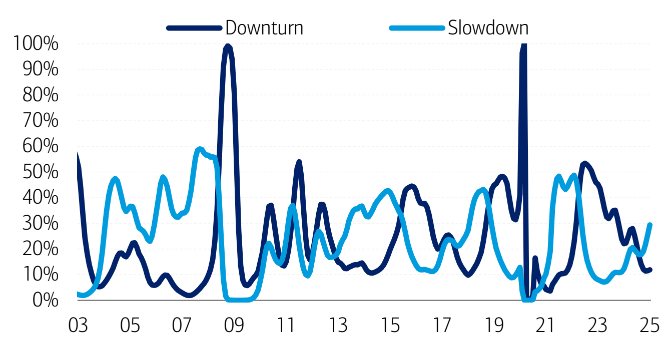
Exhibit 5: Likelihood of slowdown & downturn scenarios extracted from the dynamic of leading indicators for the US economy
Two recession types: slowly unfolding (e.g. '08) vs sharp negative shock ('20)



Source: BofA Global Research; note: probabilities calculated from level and changes of leading economic indicators. Slowdown = leading indicator level > 100 & slowing. Downturn = leading indicator level < 100 & slowing.
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Other trade views: **duration**: fade extremes in sentiment swings until hard data provides a clearer signal, we suspect a near-term range of 4.15-4.5% & soft long bias in that range; **curve**: continued steepening bias in 5s30s as it may take more time for near-term cuts to be realized; **inflation**: long 1y4y inflation swaps given tariff risks, express duration long with mix of nominal & reals to hedge inflation.; **spreads**: short 30y. We essentially favor a US rates super-fly: paid very front end, constructive on belly, underweight long end.

Lag of soft vs hard data + data most predictive for US rates

Clients have asked how long until the soft data materializes in the hard data. There is no specific economic rule but we have generally assumed the soft data could be head fake if hard data does not soften within 3-6m.

One can also examine the likelihood of slowdown and downturn scenarios extracted from the dynamic of leading indicators to get a sense of timing in the sequencing of a slowdown in data. In a gradual slowdown process that eventually culminates into a recession like the '08 recession, we generally see a 12-18m lag between the pickup of slowdown likelihoods (slowing soft data) and the spike in downturn likelihoods (slowing hard data). Our analysis suggests an uptick in slowdown risks in early '24 that could see clearer signs of a downturn in early/mid '25.

Rate forecast revisions: 10y at end '25 to 4.5% from 4.75%

The market has clearly re-priced downside growth risks in the rates market, though there are signs of recent stabilization. In our rate forecasts we now take on board these downside growth risks + our economists recent growth forecast changes (see A little stag-, and more -flation). Our economics recently downgraded their 1H25 growth expectations to better reflect trade policy developments and the recent data flow. They marked down 4Q/4Q growth this year from 2.3% to 1.8%. The also raised inflation projection & now expect core PCE to reach 3.0% y/y in 2H25. Faced with modest stagflation, they see Fed on hold.

We revise our US rate forecasts to reflect the downgrade of US growth expectations. We see 10y rates lower at end '25 from 4.75% to 4.5% to reflect near-term softening of growth + market pricing of elevated Fed cut risks. These forecasts are within our recent estimates of 10y UST fair value (see model update). Our forecasts are modestly above the forwards across the forecast horizon recognizing an overall strong US economy & limited spillover to hard data thus far. A Fed on hold is the BofA modal view but our forecast revisions reflect a market that may price greater downside growth risks.

Our forecasts also imply a continued cheapening of back-end USTs vs OIS. This is consistent with ongoing concerns about UST supply, deficit risks, & potential disappointment from elevated expectations for financial de-regulation.

Exhibit 6: BofA US rate forecast revisions

We forecast modestly lower 10y rates in the near term but keep end '26 10y unchanged

New Forecast	2Q25	3Q25	4Q25	1Q26	2Q26	4Q26
2y Govt	4.00	4.00	4.00	4.05	4.10	4.25
5y Govt	4.10	4.15	4.20	4.25	4.30	4.40
10y Govt	4.30	4.40	4.50	4.55	4.60	4.75
30y Govt	4.70	4.75	4.80	4.85	4.90	5.00
Curves						
2s10s	0.25	0.25	0.25	0.25	0.25	0.25
2s5s	0.15	0.15	0.15	0.15	0.15	0.10
5s30s	0.35	0.35	0.40	0.40	0.50	0.60
10s30s	0.25	0.25	0.30	0.30	0.40	0.45

Old Forecast	2Q25	3Q25	4Q25	1Q26	2Q26	4Q26
2y Govt	4.50	4.50	4.50	4.50	4.50	4.50
5y Govt	4.65	4.65	4.65	4.65	4.65	4.65
10y Govt	4.75	4.75	4.75	4.75	4.75	4.75
30y Govt	5.00	5.05	5.05	5.15	5.05	5.20
Change						
2y Govt	-0.50	-0.50	-0.50	-0.45	-0.40	-0.25
5y Govt	-0.55	-0.50	-0.45	-0.40	-0.35	-0.25
10y Govt	-0.45	-0.35	-0.25	-0.20	-0.15	0.00
30y Govt	-0.30	-0.30	-0.25	-0.30	-0.15	-0.20

Source: BofA Global Research

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Our rate forecasts suffer from higher uncertainty vs usual given upcoming risk events. Specifically, the tariff announcement on April 2 has a very wide range of outcomes & market impacts. The March employment report on April 4 could also meaningfully shift Fed expectations if it either confirms or refutes recent sentiment data.

Bottom line: hold soft long duration bias in belly & in 5s30s steepeners. Be paid June FOMC OIS given sticky inflation & recent solid hard data. Rate forecasts shift lower near term but remain stable over medium term.

Rates – EU

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- We remain bullish duration. We discuss upside to 2025 EGB and EU supply. We believe extra bond issuance for 2025 is almost purely a German story at this stage.

Supply: updated forecast range for EGB & EU supply

Germany: additional funding likely to be covered with bonds, not just bills

The Finanzagentur release its Q2 funding update on Monday. No changes were made to the Q2 issuance calendar. However, the agency noted that it would consider re-introducing 7y auctions in H2. This has challenged our prior that increased funding needs in Germany may be mostly covered by bills.

We estimate that German 2025 borrowing needs for 2H25 could increase by €25-60bn (Exhibit 7). This is based on the new treatment of defence spending above 1% of GDP, our understanding of the likely revision to the borrowing authorisation for 2025 (due to lower growth), and the potential increase in the defence spending target. The range is wide, but we aim to update it when the 2025 budget is put forward.

We believe that an increase of up to c.€35bn could be funded by a combination of 7y auctions and bills (maintain the bill to bond supply ratio at 1:2, as per guidance from the Finanzagentur). Our estimate for such supply is in Exhibit 8. If the needs are higher, additional increases to other lines would required. This is something the agency has not ruled out but it believes would not be significant. It is worth nothing that the Finanzagentur has excluded a return to selling linkers and does not consider ultra long bonds (given elevated rates), retail bonds, or secondary market sales of own holdings.

Exhibit 7: Potential increases in German borrowing needs for 2025
We estimate a potential increase in borrowing of €25-60bn.

	Draft budget	Increase (BofA est)	
	Aug-24	low	high
Net borrowing authorisation for 2025 Federal budget	51	10	10
Extra borrowing allowance given new treatment of defence spending above 1% of GDP (*)	-	10	20
Net additional borrowing if defence spending target is increased to 2-2.5%	-	15	25
Needs to cover spending under 100bn defence fund	22	0	5
Needs to cover spending under new 500bn infrastructure fund (**)	-	0	0
Needs to cover spending under old ESF, FMS & IRF (***)	?	-10	0
Total potential additional net borrowing needs		**25**	**60**

Source: Bundestag, BofA Global Research. (*) Based on different quantifications of defence spending target in Aug-24 draft budget for 2025. (**) We assume spending under this fund will not start until 2026. (***) Economic Stabilisation Fund, Financial Market Stabilisation Fund and Investment and Redemption Fund. Negative numbers = loans / investments could be repaid

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Exhibit 8: Scenarios for 7y auctions in 2H25, based on historical patterns, combined with bill issuance based on 1:2 ratio for extra bills vs bond gross supply.
We estimate that the combination of 7y auctions and more bill supply can help cover 18-36bn of needs (with most likely scenario being c.25bn)

	low	likely	high
Number of new 7y auctions per quarter	2	2.5	3
Size of each 7y auction (bn)	3	3.5	4
Resulting 7y issuance potential over 2H25	12	18	24
Extra bill supply to keep bills = 1/3 of total gross issuance	6	9	12
Total potential extra issuance (7y+bills)	**18**	**26**	**36**

Source: BofA Global Research

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Other EGBs: near term focus likely to be on the use of EU's SAFE loans

Besides Germany, we believe EGB supply will not be altered much compared to the funding plans laid out at the start of the year. We previously estimated that Italy and Spain are the two countries with the largest EUR billion gap in defence spending vs the 2% NATO threshold (around €10bn), with Ireland and Austria displaying the largest ppt of GDP gap – see Rates EU in Global Rates Weekly, 21-Feb. We still believe most of these countries' ability and willingness to add to 2025 national spending is limited.

Our baseline is that extra 2025 issuance for defence spending across EGBs (ex Germany) is likely to be less than €10bn. Instead, periphery countries may focus their attention on joint EU programmes, preparing plans to make use of EU SAFE loans (see below) if no other (more attractive) programme is considered by the June summit.

Italy: Given elevated debt/GDP, Italy's ability to increase its deficit is very limited, as is the political appetite to do so for defence spending. But the government ruled out the repurposing the existing EU funds (Recovery and Cohesion) for defence. Our baseline is that it will make use of the new EU programme, while maintaining the pressure for expanding the toolkit at European level (see Europe Economic Weekly, 21-Mar).

Spain: Similarly to Italy, Spain also grapples with high debt to GDP levels (104.3%) limiting the incentive for additional borrowing. PM Sanchez expressed his intention to outline and start implementing a plan to boost defence spending before the summer. However, Spain has been unable to pass a budget for 2025 yet and may have to roll their 2023 budget again for this year. This could push plans for defence to the 2026 budget.

Portugal: After the no-confidence vote of Luis Montenegro's government, a snap election was called for this May. Until then, the interim government must continue with the existing budget. After that, deriving a new budget will also take time. Additionally, the two major parties appear to continue prioritising fiscal prudence.

Belgium: As a share of GDP, defence spending in Belgium has been similar to that in Spain & Italy (c.1.3%) but the gap in bn is smaller at c.4bn. Still, it is a sovereign to keep an eye on. After a prolonged period of political uncertainty and large fiscal deficits, Belgium was able to form a new government earlier this year. This one now aims to raise defence spending to 2% as early as this year, and targets to submit the 2025 budget by mid-April. This could present a challenge given fiscal consolidation needs.

EU: we continue to believe additional funding in '25 will come mostly in bills

In Feb, we noted that the EU has significant room to increase its short-term funding to cover additional needs in 2025 (scope for c.€30bn increase in stock of bills, and an envelope for repo funding of €60bn). We envisaged an extra €10bn EU bond supply in 2025 to speed up disbursements to Ukraine (total of €170bn, as per current limit).

Since then, the EU announced a plan for a new financial instrument (the Security Action for Europe – SAFE which will provide Member States with up to €150 billion of loans backed by the EU budget). This instrument will be funded by EU issuance, raising questions over added 2025 bond supply. We read the details and EC Q&A on the topic as supportive of our view that EU bond issuance will not increase meaningfully this year:

1. The maximum amount of additional needs related to SAFE this year = 15% pre-financing of agreed loans. In the very optimistic scenario where a large number of countries request loans up to the maximum of €150bn, and their plans are all approved in 2H25, this pre-financing would represent €22.5bn of extra funding needs for SAFE. The realised amount can be meaningfully lower than this.

2. The Commission noted that it will be able to accommodate disbursement needs with the "flexibility provided by its unified funding approach". And that "this will limit the changes to its envisaged bond issuance through 2025 and 2026". We believe this is a reference in part to bill and repo funding being used to bridge this period over which there is still net NGEU-related bond supply.

We recommend buying EU 10/54 vs NETHER 1/54, at 72bp, targeting 60bp with a stop at 80bp. The risk to this trade is the announcement of a large increase in EU supply.

Stay long rates: receiving Dec ECB €str & long 15y France

We remain bullish duration (in very front-end as well as via 15y France). Our benign view on bond supply is only a small part of the story. We are also focused on: (1) inflation prints next week, with our economists expecting 1.9% headline inflation, (2) the US tariffs due on Apr 2nd. Even if levels end up low for the Euro Area, it is unlikely that uncertainty will fade, (3) an ECB increasingly of the view that tariffs will be net negative for growth and thereby inflation, opening the door for pricing of sub 2% terminal rate.

Rates – UK

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- Gilt Remit did not disappoint and we hold onto long G vs. WN invoice spreads. We also update our yield forecasts post macro data & Spring Forecasts.

Below is an excerpt from [Spring forecast Review, 26 March 2025](#).

Flexible benefits

2024-25 CGNCR estimate likely to increase in April

The DMO raised its CGNCR for the current FY by £7.5bn to £172.6bn vs. the October update (Exhibit 9). With NS&I incl. GSBs projected to raise £0.8bn more than the expected £9.5bn target for 2024-25, the NFR for the current FY is expected to turn out £6.7bn higher. With the CGNCR running £22.3bn ahead of plan as of February 2025, we suspect that this carry-over to the upcoming FY will see a further increase in April.

For 2025-26, the CGNCR is expected to be £142.7bn – not far from our expectation of £144.8bn. The £168.2bn of redemptions and £6.7bn in carry-over from the current fiscal year mean that GFR will amount to £317.6bn, while the NFR is forecast to be £304.2bn (note that proceeds from NS&I in 2025-26 are projected to come within a range of ± £4bn). Of that, planned gross Gilt issuance of £299.2bn next FY will be only marginally higher than this year's £297.0bn, in line with our thinking, while net T-bill sales will contribute £5bn. If the carry-over indeed turns out to be higher in April, we expect this additional 2025-26 funding need to be reflected in higher net T-bill sales.

More ambitious DMO amid high effective Gilt sales

A sharper-than-expected reduction in long Gilt sales (14% share vs. our expectation for 16%) was welcome, but it came with higher-than-anticipated unallocated portion of Gilt sales of 9%, expected to increase to only 5% by us and the primary dealers polled by Bloomberg. In the absence of the newly introduced programmatic Gilt tenders, we would have viewed this as signalling a greater upside risk to the share of long Gilts as the year progresses. But the tender program tempers that risk to an extent, in our view.

We interpret the DMO's increased flexibility to vary the split of issuance and the mix of distribution methods during the year as positive and more ambitious considering the persistently high effective Gilt sales to private investors in 2025-26 and beyond. Here, it is important to highlight changes in DMO's illustrated GFR projections, which were revised up by a cumulative £80.4bn over 2026-27 to 2029-30.

The BoE's QT plans from October 2025 are unknown (our base case is that the BoE would not rush to pre-empt the QT pace decision before August). We think it unlikely that that BoE would raise the pace from current £100bn per QT year, but it is possible that it would reduce it. At extremes, an unchanged BoE QT pace in 2025-26 would result in higher effective net Gilt supply from the DMO and BoE combined while passive QT only in 2025-26 would result in a small fall in effective net Gilt sales than this year.

Remit supportive of our ASW bullishness

Heading into the Remit, we highlighted the 10y area on the Gilt ASW curve as an attractive point to be long, from cross-market, relative value and carry perspectives, with de-regulatory potential on the back of developments in the US posing potential further upside ([Buy 10y Gilt vs 30y UST invoice spreads, 28 February](#)). With Wednesday's Gilt Remit not disappointing our expectations, we hold onto our **long G vs. WN invoice**

spreads. Current: 22bp. Entry: 13.9bp. Target: 30bp. Stop: 5bp. Risks to the trade are credible deficit reduction discussion and/or a broader reduction in dealer capital requirements in Treasury financing and warehousing on the US side, a sharp increase in Gilt supply in April and/or broad market risk-off.

Exhibit 9: UK DMO Remit for fiscal years 2024/25 and 2025/26, £bn

Broadly in line with expectations Gilt supply, with slightly sharper than expected skew shorter (but higher unallocated)

	FY 2024-25 (DMO - Apr'24)		FY 2024-25 (DMO - Oct'24)		FY 2025-26 (BofA - Mar'25)		FY 2024-25 (DMO - Mar'25)		FY 2025-26 (DMO - Mar'25)	
CGNCR	142.8		165.1		144.8		172.6		142.7	
Redemptions	139.9		139.9		164.7		139.9		168.2	
Adj. from prev. FY	6.5		6.5		10.0		6.5		6.7	
GFR	289.2		311.5		319.5		319.0		317.6	
Less:										
NS&I incl. GSBs	9.5		9.5		10.0		10.3		11.7	
Other financing	2.0		2.1				2.1		1.8	
NFR	277.7		299.9		309.5		306.6		304.2	
To be financed through:										
Gilt sales, through:	277.7		296.9		297.0		296.9		299.2	
Short	*100.7*	*36%*	*103.8*	*35%*	*109.0*	*37%*	*103.8*	*35%*	*110.9*	*37%*
Medium	*86.0*	*31%*	*92.0*	*31%*	*96.0*	*32%*	*92.0*	*31%*	*89.7*	*30%*
Long	*50.0*	*18%*	*59.2*	*20%*	*47.0*	*16%*	*59.2*	*20%*	*40.2*	*14%*
Index-linked	*30.0*	*11%*	*33.4*	*11%*	*30.0*	*10%*	*33.4*	*11%*	*30.9*	*10%*
Unallocated	*11.0*	*4%*	*8.5*	*3%*	*15.0*	*5%*	*8.5*	*3%*	*27.5*	*9%*
Net T-bill sales	0.0		3.0		12.5		3.0		5.0	
Total financing	277.7		299.9		309.5		299.9		304.2	
DMO net cash position	2.3		2.3		2.3		-4.4		2.3	

Source: Debt Management Office, BofA Global Research

BofA GLOBAL RESEARCH

Rate forecast revisions: marking-to-market post macro data & Spring Forecasts

Our economists continue to expect the next Bank Rate cut in May after this week's decline in February headline inflation and more backloaded than expected fiscal consolidation measures in the Spring Forecast (see Inflation Review and Spring forecast Review, both 26 March). More data points on inflation and labour market, along with tariff news, will be important for May rate cutting prospects. Our base case remains three cuts this year and one in 2026, with risks tilted towards less. Our front-end Sonia forecasts lie increasingly below the forwards through forecast horizon given current market pricing of just under 50bp of cuts priced in for 2025 and terminal at around 4%.

Our forecasts imply more 2s10s Sonia steepening than the forwards, stemming mostly from our bullish front-end forecasts relative to forwards. We are broadly neutral Sonia relative to the forwards in the 10y, but pencil in some Gilt performance relative to swaps in the shorter end of the curve. We expect the DMO to deliver on their increased flexibility to vary the split of issuance and the mix of distribution methods during the year, helping to cap duration supply concerns into Autumn and beyond (for 30y, we think good news are now in the price). BoE QT slowdown in September and/or de-regulatory potential on the back of developments in the US are other potential upside risks.

Exhibit 10: BofA Gilt and Sonia yield forecasts, %

Our forecasts imply more 2s10s Sonia steepening than the forwards, stemming mostly from our bullish front-end forecasts relative to forwards

	Gilts					Sonia			
	Q2 2025	Q3 2025	Q4 2025	Q4 2026		Q2 2025	Q3 2025	Q4 2025	Q4 2026
Bank rate	4.25	4.00	3.75	3.50	3m Sonia	4.10	3.85	3.60	3.50
2y	4.00	3.70	3.55	3.55	2y	3.85	3.60	3.50	3.50
5y	4.35	4.30	4.30	4.30	5y	4.10	4.10	4.10	4.10
10y	4.75	4.70	4.65	4.65	10y	4.25	4.25	4.25	4.25
30y	5.30	5.30	5.30	5.30	30y	4.50	4.50	4.50	4.50

Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Rates – AU

Oliver Levingston
Merrill Lynch (Australia)

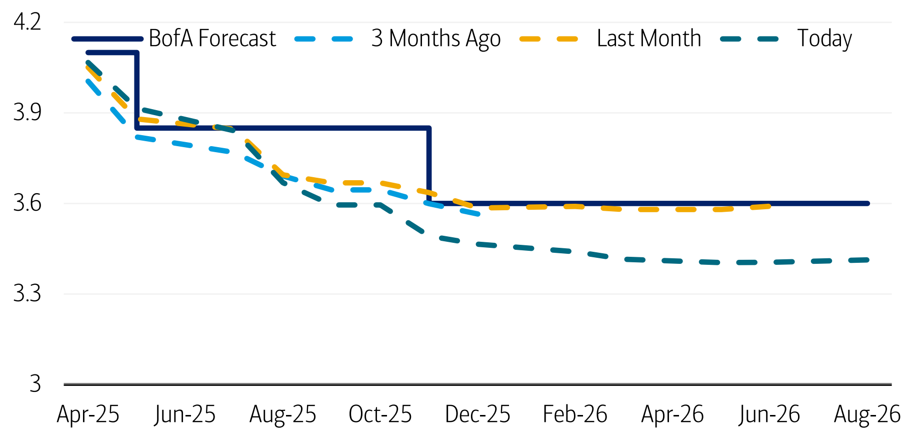
Johnny Liu, CFA
Merrill Lynch (Australia)

- We see the RBA on hold in April but continue to expect a cut in May
- We reiterate our long bias through buying YM, hedged by paying August '25 RBA.

Australia: No cut in April? April Fool's

We expect the Reserve Bank of Australia (RBA) to hold the cash rate target at 4.1% at its March 31 – April 1 meeting, in line with consensus and market pricing (Exhibit 11). As expected, a slightly weaker-than-consensus monthly CPI print (2.7% vs 2.8% expected) was not enough to move the market but a drop in monthly jobs growth and weak CPI sets the stage for a rate cut in May. Our economists expect the RBA to cut in May and November. The statement and press conference are likely to suggest a gradual approach to easing. Communications about this week's budget could skew the statement or press conference a bit more hawkish. Monthly CPI and weak AU jobs growth are a risk to the downside (i.e. more dovish communication) but we think this is less likely.

Exhibit 11: RBA cash rate market pricing vs BofA forecasts (%)
Markets are pricing more cuts near-term and rates to come lower



Source: Bloomberg

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Reiterate our long bias: Buy YM, hedged by paying RBA

We continue to recommend buying YM and hedge the risk by paying August '25 RBA OIS. The primary impulse for the trade is our view on global rates: elevated slowdown risk in the US means we retain our long bias, especially into April 2 tariff announcements. Yet weak monthly CPI and an ambiguous signal from the last AU jobs report increases our conviction in remaining long. We like the risk/reward of YM longs with 3y rates comfortably above the RBA's estimate of neutral rate and our economists' forecast for terminal RBA cash rates.

Since entering the trade, the structure has moved form -8bps to -12bps (4bps closer to our target) alongside a global rally in front-end rates and slightly weaker AU data (jobs, monthly CPI). The structure will trade long (i.e. outperform in a global rates rally, underperform in a sell-off). This feature should become more exaggerated with the passage of time. That is, as we get closer to August, YM will move in a wider range vs Aug RBA OIS. Our thesis is that slowdown risks will become more exaggerated over time but the risk to the trade is that soft survey data does not translate into hard data over the coming months. The trade is currently -12bps, vs open: -8bps; target: -50bps and stop:10bps. Risk: hawkish communication from the RBA or strong US data.

ACGB f'casts: lower rates, same x-mkt spread to USTs

Our US team has lowered their rates forecasts and we revise our ACGB forecasts to maintain our forecast for cross-market spreads (Exhibit 2) We now revise our 10y end '25 forecasts from 4% to 3.75% and our end-'25 2y forecasts from 3.5% to 3%.

Exhibit 12: BofA AU rate forecast revisions
We forecast modestly lower 10y rates in the near term

BofA ACGB Forecasts (%)						
	2Q25	3Q25	4Q25	1Q26	2Q26	4Q26
2y Govt	3.50	3.25	3.00	3.05	3.10	3.25
5y Govt	3.60	3.40	3.20	3.25	3.30	3.40
10y Govt	4.05	3.90	3.75	3.80	3.85	4.00
30y Govt	4.70	4.45	4.25	4.20	4.20	4.30
Change (%)						
	2Q25	3Q25	4Q25	1Q26	2Q26	4Q26
2y Govt	-0.50	-0.50	-0.50	-0.45	-0.40	-0.25
5y Govt	-0.55	-0.50	-0.45	-0.40	-0.35	-0.25
10y Govt	-0.45	-0.35	-0.25	-0.20	-0.15	0.00
30y Govt	-0.30	-0.30	-0.25	-0.30	-0.30	-0.20

Source: BofA Global Research

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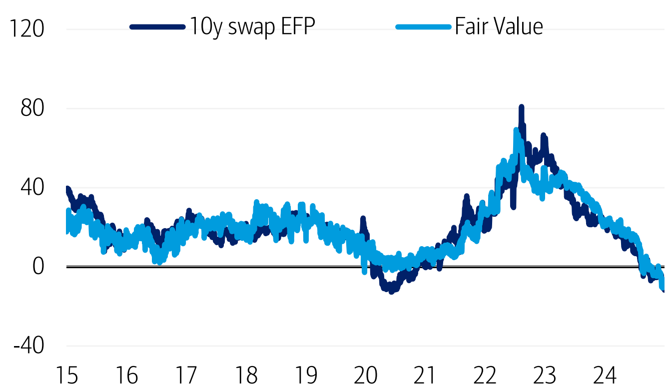
Budget review: back in the red

Australia's pre-election budget focused market attention on swap EFP (Australia Watch 25 March 2025). Net bond supply over the forward estimates were broadly unchanged from the last budget update in Dec '24 but client feedback has focused on the expansionary impulse of fiscal spending ahead of Australia's 3 May 2025 federal election. 10y bond futures are now trading at their cheapest vs swaps in history. Election campaigns are typically characterized by expansionary, rather than contractionary commitments and we see a near-term risk of curve steepening/ swap spread tightening.

Yet the YM/XM curve has steepened beyond our near-term expectations and our fair value estimate (c. -6bps) for 10y swap EFP suggests bonds are trading too cheap vs swap so these risks may already be priced in. the residual (spread vs fair value) is within 1 st. dev. of historical ranges so we have a bias to be paid but there is no clear signal to pay or receive at this point (Exhibit 13 Exhibit 14).

Exhibit 13: 10y swap EFP fair value estimate
10y swap EFP is trading slightly rich vs fair value (c -6bps vs -13bps)



Source: Bloomberg

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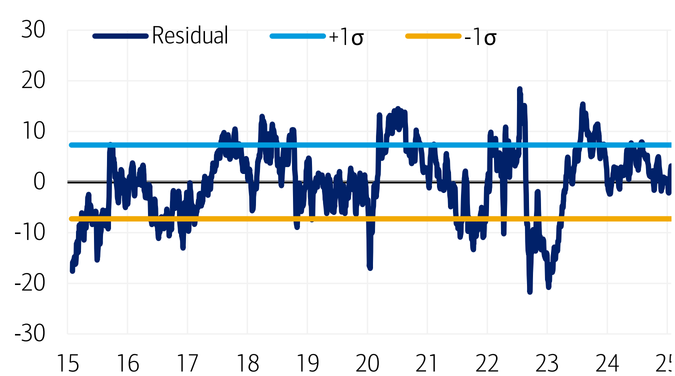
Exhibit 14: Residual, 10y swap EFP fair value framework
We see richer bonds to swap but there is no trading signal now



Source: Bloomberg

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Rates – JP

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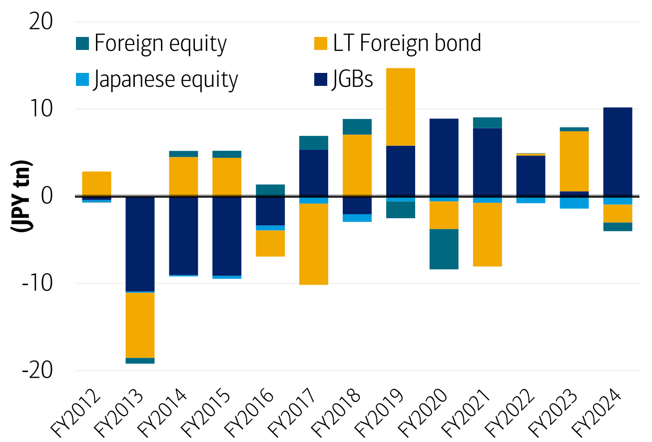
- We discuss flows and trades for Japan's new fiscal year starting next week.
- We recommend buying 10s20s JGB curve flattener.

This is an excerpt from Liquid Insight, 25 March 2025

Recommend 10s20s JGB curve flattener

Japan's new fiscal year starts next week. We discuss how the start of the new fiscal year affects domestic flows. Lifers' demand for foreign bonds may emerge but selectively and conditional on market volatility with hedged demand more likely in the EUR space while USD/JPY's and EUR/JPY's dip would be bought for unhedged investments. We see a scope for JGB curve flattening.

Exhibit 15: Japanese banks' annual investment by asset class
Regional banks have increased their JGB investment in FY24



Source: Japan Securities Dealers Association (JSDA),Japan Exchange Group (JPX), Ministry of Finance (MoF), BofA Global research
Note: Number for FY24 is annualized volume from Apr to Feb

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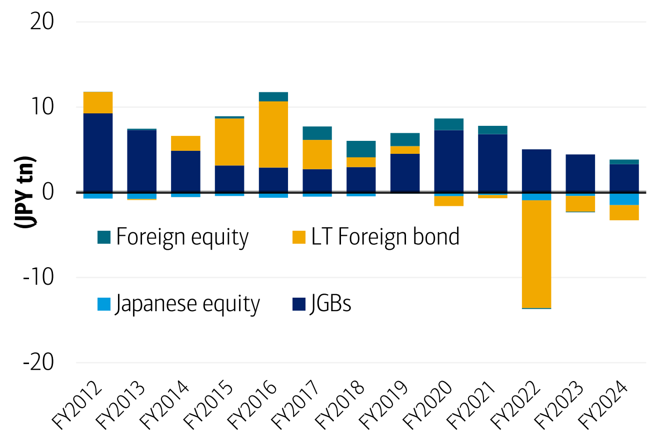
Exhibit 16: Japanese insurers' annual investment by asset class
Life insurers' demand for JGB has been cut back since peak in FY20



Source: JSDA, JPX, MoF, BofA Global research
Note: Number for FY24 is annualized volume from Apr to Feb

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Lifers' demand for superlong JGBs to improve in new year but slowly

We expect lifers' demand for JGB to improve after the new year starts next week.

- Convexity-related selling in duration should subside as volatility has peaked out.
- The 30yr JGB yield, at 2.6%, and the 20yr yield, at 2.3% are at their highs during the 2006-2007 hiking cycle. The coupon rate for 30yr and 20yr bonds to be issued in Apr could be 2.6% and 2.3%, highest in 20 years. The superlong sector also appears cheap on the curve and vs swap.
- Lifers' liability cost would be lower than the current superlong yields[1].
- A proper tightening cycle tends to flatten the curve in DM markets. The BoJ frequently quotes their previous study, which showed various estimates of the real

[1] In an article by Reuters in Oct 2024, lifers' liability cost was said to be 1.8%. See: https://jp.reuters.com/opinion/forex-forum/HTJZI66QUNL6PJ3QI3IGKDEOEU-2024-10-30/

neutral rate for Japan ranging from -1.0 % to +0.5%. Assuming a range of nominal neutral rate of 1-2.5%, the 20yr yield at 2.3% and the 30yr yield at 2.6% may no longer be seen expensive especially relative to the 10yr sector (1.5%).

As lifers have been slow to buy JGBs, their lending in the call market increased in 2H24. We think lifers will reduce the cash balance and increase JGB investment in the new fiscal year. However, lifers' demand may not rise all at once. Uncertainty around BoJ policy remains high and the terminal rate assumption may differ across investors.

Therefore, there is still uncertainty around where demand emerges and how strong it will be. While we expect some demand for superlong JGBs from lifers and a scope for flattening, the steepening from mid-Feb may not be fully retraced given increased domestic political and fiscal uncertainty.

Banks' demand may rise but more so with 10yr yield > 1.75%

With the 10yr JGB yield above 1.5%, banks may also buy JGB's dip. That said, if they assume a 1.5% terminal rate, our base case, the current yield at 1.5% may not appear attractive yet. Some clients see the risk of even a higher terminal rate – for example 2%. From this perspective, demand for 10yr JGB may rise but gradually and more so if the yield rises to 1.75% and increasingly so if the yield rises to 2%, which would grant zero real interest rate under a 2% inflation scenario.

Domestic banks also focus on the interim quantitative tightening (QT) assessment at the 16-17 June Monetary Policy Meeting (MPM). As deputy governor Uchida indicated on 5 March[2], the stock effect depresses the JGB yields, especially for maturities up to 10yrs in our view, while at the March MPM, BoJ governor Ueda signaled continuation of bond purchase reductions in FY2026. The BoJ's pace for Rinban reduction from April 2026 and its terminal offer amounts for each maturity have been key uncertainty for bond market participants (for details, see Japan Watch: BoJ review: Watching and waiting 19 March 2025).

Trade recommendation: 10s20s JGB curve flattener

We recommend 10s20s flattener in JGBs via long JL191 maturing 20 December 2044 vs. short JB377 maturing 20 December 2034. We enter the trade at 73.0bp, targeting 60.0bp with a stop at 79.5bp.

The 10yr yield has a scope to rise given 1) still low level relative to our terminal rate assumption; 2) the BoJ's de facto QT, which would weigh over the 10yr and shorter sector more than the superlong sector. Meanwhile, the 20yr JGB may be relatively supported due to 1) the level that appears more consistent with a 1.5% terminal rate than the 10yr JGB and attractive relative to lifers' liability cost; 2) lifers' potential demand for new fiscal year; 3) a bigger scope for falling for the superlong-end in case of a severe global risk-off.

Risk is increased fiscal risk premium on the back of political uncertainty and delayed rate hikes by the BoJ amid the yen weakness.

[2] "The Bank's purchases of Japanese government bonds (JGBs) have compressed the term premium, mainly through the impact based on the amount outstanding of its JGB holdings (the stock effect)" https://www.boj.or.jp/en/about/press/koen_2025/data/ko250305a1.pdf

Rates – CA

Ralph Axel
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This is an excerpt of the CA rates section in Searching for reciprocity

Themes: tariff risk weighs on rates

Market pricing of BoC terminal, the expected stopping point for the cutting cycle, has continued to trend lower to 2.37% (versus 2.75% spot), even as inflation has surprised higher. Terminal has fallen from over 3% in Jan, largely reflecting fear of trade war impacts and an anticipated dovish policy response.

Policy uncertainty has been a clear driver this year with CAD rates shifting 10-40bps lower YTD with a substantial curve steepening. Canadian swap spreads have also tightened on tariff risk which could drive more govt bond supply on fiscal stimulus.

The terminal rate spread between the BoC and Fed, which we use as a proxy for the US-CAD 10y rate differential, has tightened from a peak of 153bps on Jan 31 to 116b currently, largely on the back of weaker data in the US. Despite this decline, the 2y1y CAD-US terminal rate spread is still at historical wides. We expect it continue to compress closer to recent historical norms of circa 50bp.

If the expected policy rate differential continues to narrow, it should favor a 2-10 CAD curve flattener vs a 2-10 US curve steepener. This would express our view that 1) if tariffs are bad, the US could wind up cutting more than expected while CAD delivers more along the forwards, or 2) if US-CAD trade tensions subside, the CAD curve can price out more cuts while the slowing US trajectory continues for other reasons including policy uncertainty around health care and reduced government spending.

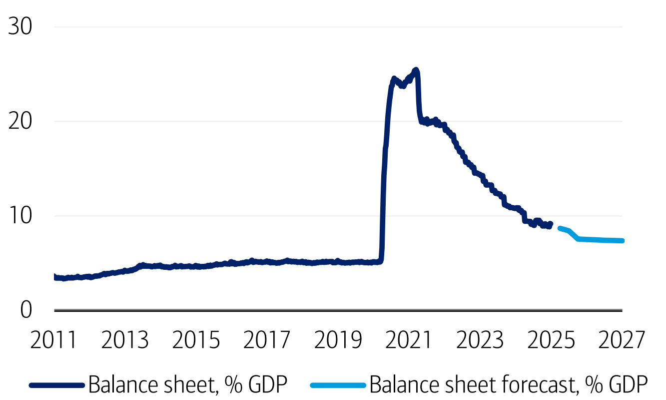
Forecasts: in line with forwards

Our rates forecasts are now in line with the forwards. We revised rates forecasts lower after our economist adjusted BoC call for a 2.5% terminal.

Risks: skewed to the downside

We see risks to our forecasts as skewed to the downside given potential for further BoC cuts if tariffs prove to be more permanent.

Exhibit 17: Bank of Canada balance sheet projection
BoC ended QT, will keep BoC settlement balances flat to GDP starting in Mar



Source: BofA Global Research, Bloomberg, Bank of Canada

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Exhibit 18: Government bond yield forecasts
Our rates forecasts are in line with forwards and 1 more cut expected in '25

	Q2 25	Q3 25	Q4 25	Q1 26
2y	2.50	2.50	2.50	2.50
5y	2.65	2.70	2.75	2.80
10y	3.00	3.05	3.10	3.15

Source: BofA Global Research estimates

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Exhibit 19: Swap rate forecasts
We see 10y swap spreads at 2.84% by year-end '25

	Q2 25	Q3 25	Q4 25	Q1 26
2y	2.37	2.37	2.37	2.37
5y	2.43	2.48	2.53	2.58
10y	2.74	2.79	2.84	2.89

Source: BofA Global Research estimates

BofA GLOBAL RESEARCH

Front end – US

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- While we continue to expect a late debt limit resolution ahead of the August X-date, recent headlines highlight the risk of an earlier debt limit resolution.
- An earlier DL resolution poses a challenge to crowded front end spread longs & makes us less constructive on front end spread widening

Originally published in Debt limit timing shifts 2Y spread risks

Debt limit timing risk has shifted

DC developments this week suggest increased Senate support to include a debt limit (DL) increase in their budget resolution draft. The Senate would reportedly like to vote on this resolution before Easter & then work with the House to finalize & start drafting the law. This raises the risk of an earlier debt limit resolution, potentially as soon as Memorial Day. DC developments cause us to increase odds of DL resolution by Memorial Day up to 40% & reduce our baseline of a late July / early August increase to 60% odds. We hold our X-date in late August, well within CBO projections.

Earlier debt limit risk lowers front end spread conviction

The earlier DL resolution risk lowers our conviction in being long front-end spreads. Earlier DL resolution means fewer bill cuts, less drawdown in TGA, & a shorter period of easy funding. Client feedback also suggests the front end spread long is a crowded & frustrated trade. We find the risk / reward in this trade to be less favorable, especially given the very large bill issuance expected after DL resolution.

Funding has been sticky & window to drop is narrowing

Clients report frustration with relatively sticky high funding conditions despite recent bill supply cuts (see Funding notes). We still expect funding to soften once we are past the typical quarter-end dynamics & net UST supply turns negative from April – June, but the window for the soft funding period is at risk with shifting odds of DL resolution timing.

Lower bill paydowns => higher TGA => tighter funding

An earlier debt limit resolution risks less TGA drain and fewer bill cuts than in our base case forecast. A late May debt limit resolution would imply a higher TGA trough vs our base case scenario (Exhibit 20) due to significantly fewer bill paydowns (Exhibit 21).

Early debt limit resolution is risk to spread widener

An earlier debt limit resolution is a developing risk for the crowded front-end spread long. A sudden suspension or increase in the debt limit could result in a sharp tightening on the unwinds. To help inform our analysis we ran 2 regressions that compared 2y swaps spreads to (1) UST bill supply and (2) marketable debt outstanding ex Fed under both a May DL resolution scenario and an August DL resolution scenario. We found that an earlier DL resolution would imply 1-4bp tighter 2y swap spreads (Exhibit 22, Exhibit 23).

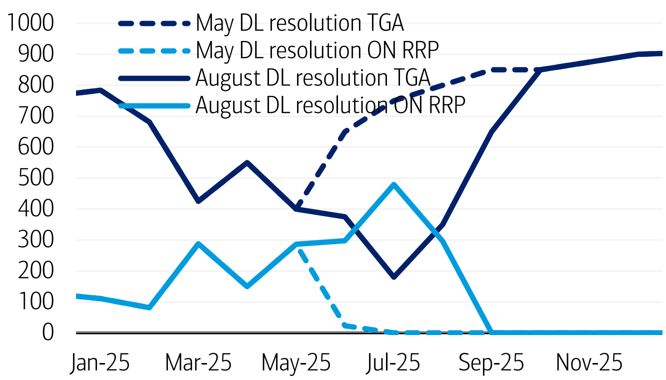
$4tn DL increase could become constraining by Nov ‘26

The current House reconciliation bill that is being considered in Congress includes a $4tn debt limit increase. A reconciliation bill allows for Republicans to raise the debt limit with a simple majority, instead of the typical 60 votes needed in the Senate. Precedent around debt limit increases under reconciliation have historically been a $ increase, rather than a suspension, which leads to greater uncertainty around the timing of the next debt limit episode.

We estimate that a $4tn DL resolution would likely mean the Treasury will hit the debt limit again sometime between Nov '26 and Mar '27 depending on how deficits develop. The risk of hitting the debt limit again in Nov '26 around mid-term elections would be politically challenging for Congressional re-elections.

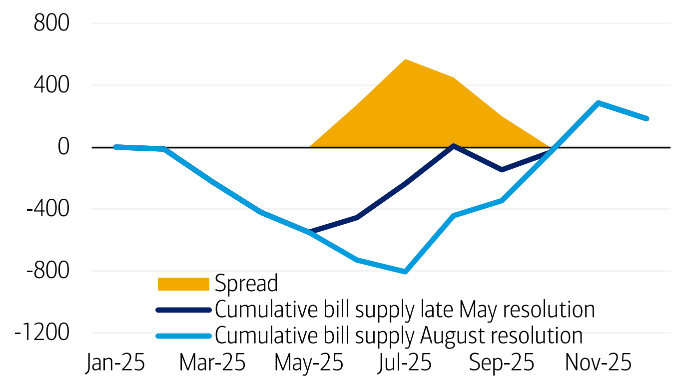
Bottom line: While we continue to expect a late debt limit resolution ahead of the August X-date, recent headlines highlight the risk of an earlier debt limit resolution. An earlier DL resolution poses a challenge to crowded front end spread longs & makes us less constructive on front end spread widening.

Exhibit 20: ON RRP & TGA forecasts in different DL scenarios ($bn)
A May DL resolution would be a higher TGA trough and lower RRP peak



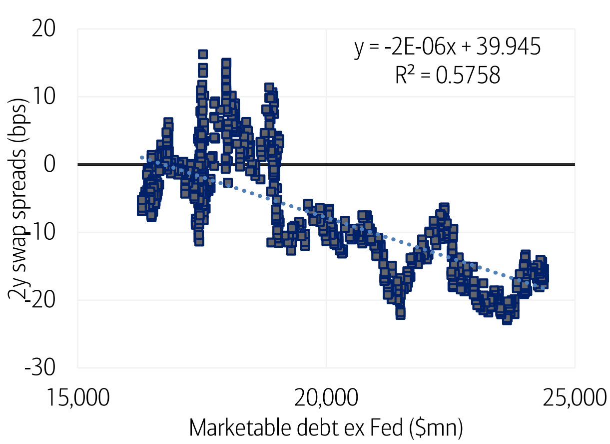
Source: BofA Global Research, Bloomberg
BofA GLOBAL RESEARCH

Exhibit 21: Bill supply forecasts in different DL scenarios ($bn)
A May DL resolution would mean up to $570b fewer bill cuts vs Aug



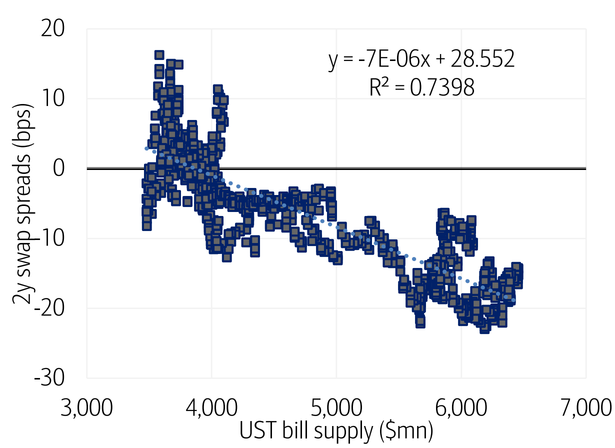
Source: BofA Global Research, US Treasury
BofA GLOBAL RESEARCH

Exhibit 22: Marketable debt ex Fed vs 2y swap spreads
This regression implies swap spreads up to 1bp tighter if May DL resolution



Source: BofA Global Research, Bloomberg, Haver Analytics
BofA GLOBAL RESEARCH

Exhibit 23: UST bill supply vs 2y swap spreads
This regression implies swap spreads up to 4bp tighter if May DL resolution



Source: BofA Global Research, Bloomberg, Haver Analytics
BofA GLOBAL RESEARCH

Spreads – EU

Ronald Man
MLI (UK)

Sphia Salim
MLI (UK)

- German swap spreads tightened vs US, which can tighten the EURUSD xccy basis
- We see room for 10y xccy basis to tighten c. 11bp but are mindful of three risks to this view

This piece was originally published in Scope for 10y EURUSD xccy basis tightening 27 Mar '25

German swap spreads tightened vs US…

Swap spreads in the US and Germany so far this year have been driven by expectations over US deregulation, US deficit, and European defence spending. On a relative basis, German swap spreads cheapened more vs US swap spreads in the 5y and 10y than the 2y: the 10y German swap spread is c. 15bp tighter than the 10y US swap spread YTD (Exhibit 24). In contrast, the 2y relative swap spread is largely unchanged YTD.

… which can tighten the EURUSD xccy basis

Relative swap spreads can explain between 80% and 90% of recent EURUSD xccy basis levels (Exhibit 25 and Exhibit 26). As German swap spreads tighten vs US swap spreads, issuers may find it more attractive to raise euros by issuing US dollar debt and swap the dollar proceeds into euros, rather than issuing euro debt directly. Investors may also obtain a higher FX-hedged pickup from German assets over US assets, all other things being equal. Both types of transaction may raise demand to borrow euros via the EURUSD xccy basis market and put tightening pressure on the basis.

We see room for 10y xccy basis to tighten c. 11bp…

The YTD tightening in the 10y German swap spread vs US swap spreads would imply c. 10bp tightening in the basis based on their historical relationship. But the xccy basis widened 1bp YTD. Therefore our calculations suggest room for c. 11bp tightening in the 10y EURUSD xccy basis based on swap spreads alone (Exhibit 27). The same analysis suggests room for c. 8bp of tightening in the 5y EURUSD xccy basis.

… but are mindful of three risks to this view

Our calculations assume relative bond asset swap valuations do not change further. This may be challenged and we see three risks to this view if 1) US swap spreads tighten on the reversal of widening associated with deregulation expectations, 2) the return of fears of high US deficit paths (see US Rates Watch, 13 March 2025), and 3) if euro credit spreads remain resilient and US credit spreads condition to widen (Exhibit 28).

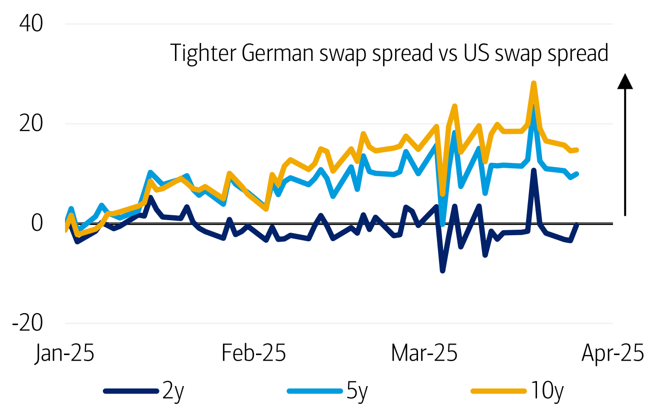
Front-end basis fair from swap spread perspective…

At the 2y, we see little discrepancies between 1) YTD movements in the xccy basis, and 2) what YTD relative swap spread movements imply.

… but tightening pressure may build from QT divergence

The US Federal Reserve announced a reduction in its pace of QT and our US colleagues now expect QT to end in December 2025 (see US Rates Watch, 19 March 2025). In Europe, our base case remains for the ECB to continue QT in the foreseeable future. This means euro reserves will become increasingly scarce vs US dollar reserves, especially as the US TGA is drawn down (Exhibit 29), which we expect to sustain tightening pressure at the front-end of the EURUSD xccy basis curve and the EUR FX-Sofr basis.

Exhibit 24: YTD cumulative change of US-German swap spread, bp
German swap spreads tightened most vs US at back-end



Source: BofA Global Research, Bloomberg

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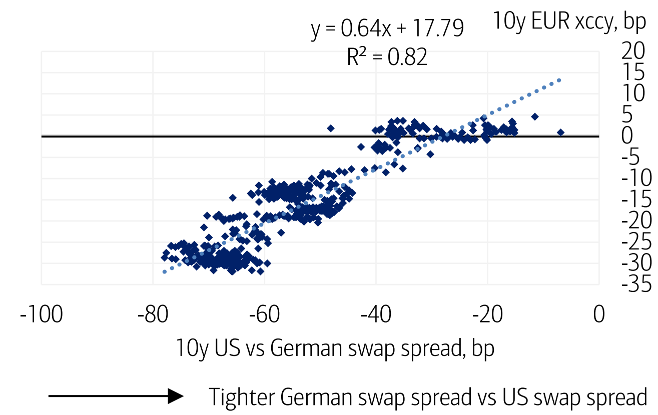
Exhibit 25: 10y EUR xccy basis and 10y US vs German swap spread, bp
Tighter German swap spreads vs US associated with tighter xccy basis



Source: BofA Global Research, Bloomberg

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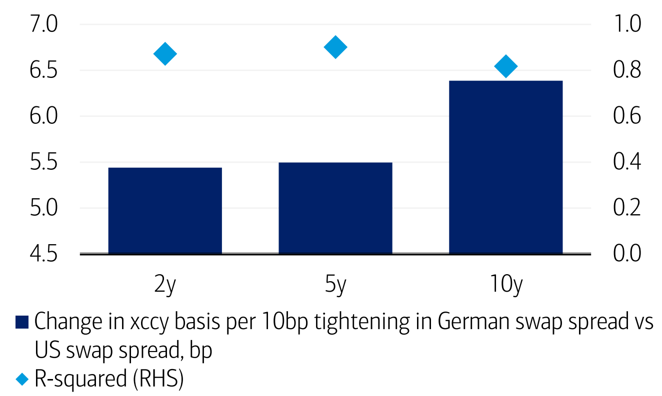
Exhibit 26: Sensitivity of EURUSD xccy basis to relative swap spread
Relative swap spread explain between 80% and 90% of recent xccy levels



Source: BofA Global Research, Bloomberg

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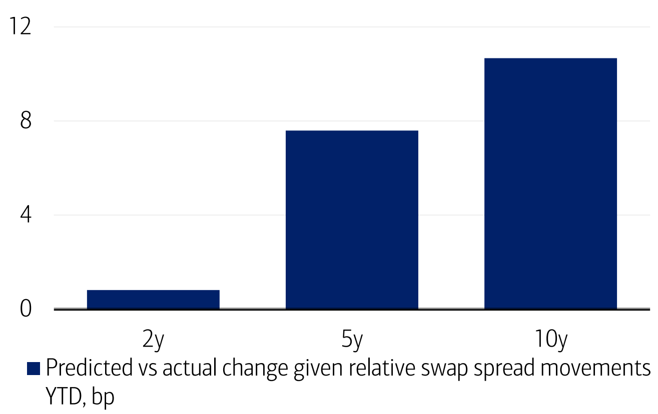
Exhibit 27: Predicted vs actual change in EURUSD xccy basis, bp
We see most room for further tightening of the basis at 10y



Source: BofA Global Research

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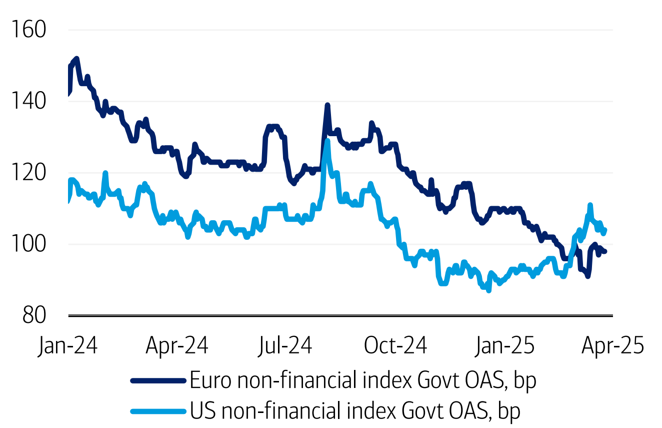
Exhibit 28: Euro and US non-financial index Govt OAS, bp
Credit spreads in the US widened recently



Source: BofA Global Research, Bloomberg, ICE Data Indices, LLC

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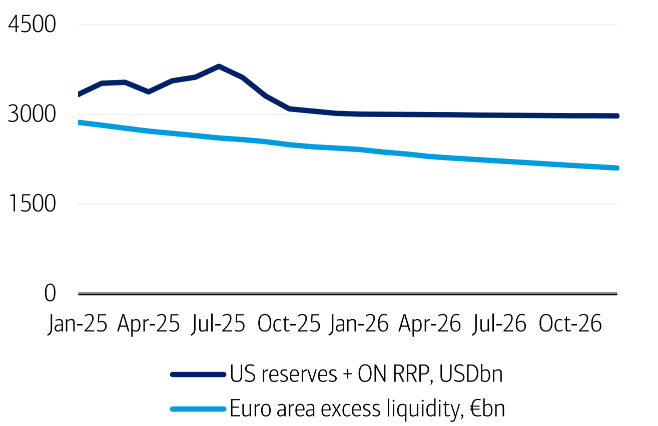
Exhibit 29: US dollar and euro reserve outlook, LCCYbn
We see tightening pressure on the xccy basis from QT divergence



Source: BofA Global Research, Bloomberg

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Technicals

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The following is an excerpt from the Technical Advantage: Liberating Levels 27 March 2025 report. Please see this report for all the technical charts and more detail on each asset summarized below.

Summary: Macro technical strategy begins here

In 2025 we strive to evolve the Technical Advantage report into a multi-asset class recap of technical views heading into or out of macro events and key data releases. Over time and as the charts prove to be technically relevant, we will swap assets in and out. A summary of our shorter-term multi-asset technical observations follow as markets head into so-called Liberation Day on April 2nd and US labor market data on April 4th.

US 10Y Yield: Possible top if below 4.45-4.50%

Our view was to fade the YTD decline in the 4.20s and look for a bounce back in March. This has occurred. Yield is approaching technical resistance at about 4.45%. While below, a head and shoulders top may form. But if it breaks higher above the declining trend line and 50d SMA, upside risks develop. The left shoulder high at 4.50% is the last textbook level that could be considered for a top formation or 4.10-4.50% range. Above 4.45-4.50% and risk tilts to higher yields into May such as 4.66%, 4.80% and maybe 5.00%.

US 5s30s: Year ahead target of 60bp reached, raise stop

Our top 2025 year ahead trade was a 5s30s steepener. We remain of the view that the curve steepens over the medium-term and take this opportunity to again raise our stop to 45bps, which is just below the last tail low on March 19 of 47bps.

Euro has run ahead of the 2017 analog, buy the dip

We're bullish euro since the hammer candle at the 1.02 Fibonacci retracement level and the subsequent double bottom that followed. The 4Q16-1Q17 analog continues to repeat which means euro continues higher in 2Q25-3Q25. We're buyers on dips at key levels such as 1.0727, 1.0644 and 1.0548 and look up to levels such as 1.10, 1.1150, 1.1205. Below 1.05 would be a concern. If the size of the rally in 2017 repeats, euro can see upside of 17-21% which puts the 200m SMA near 1.20 on our radar in a years' time.

S&P 500: April seasonal showers must hold 5500 support

In the short-term, we expect April seasonal weakness to result in a retest of the 5500-5512 support level. From here, we look for signals of a double bottom and resumption of a 2Q18-3Q18 repeat rally. However, we're in a cyclical bear market. A break of support at 5500 means no early bottom and creates downside risks to 5392 and the 5120s.

LME 3m Copper: No bullish breakout, two sell signals

After forming a head and shoulders base in Nov-Feb with upside to about 9800, copper prices continued further to retest the trailing highs at about 10158. Markets bearishly reversed as a TD Sequential sell signal and bearish MACD cross occurred. Altogether this suggests copper prices are mean reverting / retracing the prior up move to levels such as 9625 and possibly 9460 (provided no sustained breakout higher occurs soon).

Rates Alpha trade recommendations

Exhibit 30: Global Rates Trade Book - open trades
Open trades

Region	Open Trades	Entry Date	Entry	Target	Stop	Latest Level	Trade rationale	Risk
Europe	Long EU 30y vs Netherlands	28-Mar-25	72	60	80	72	EU cheap to NL, on supply concerns	Large increase in EU bond supply
Europe	Long 15y OAT May-42	21-Mar-25	3.84	3.5	4.05	3.86	Long duration + a tactical bullish view on FR	FR political risks, larger long end EGB supply
Europe	Receiving 6m1y EUR vs CHF	14-Mar-25	176bp	130bp	200bp	176bp	Continued ECB easing and SNB pause	Negative SNB policy rate
Europe	US-Euro 2y3y inflation widener	7-Mar-25	28bp	50bp	15bp	42.4bp	Inflation view; roll-down	US recessionary threat
Europe	BTPei 2039 iota narrower	7-Mar-25	25.4	17.0	30.0	23	Index events	Heavy BTPei 2039 supply
Europe	6m5y 1x1.5 rec	5-Feb-25	0bp	14bp	-10bp	0.3bp	Repricing of ECB terminal lower	Rally beyond downside breakeven
Europe	EUR 3m2y payer fly	16-Jan-25	12.4	35	2	3.6	Hedge against front-end sell-off due to inflation	Downside surprises in inflation
Europe	Receive Dec ECB €str	2-Jan-25	1.77	1.3	2.18	1.85	ECB to cut Depo to 1.5%	Upside surprises in inflation prints
Europe	Pay 10y real Sofr, rec. 10y real €str	24-Nov-24	-112	-180	-80	-85	Trend in global imbalances	Severe global risk-off event
Europe	Short 1y1y vs 1y10y vol	24-Nov-24	6.5bp	20bp	-10bp	19bp	Underperformance of left side on dovish ECB	Hawkish policy shift
Europe	Long 30y Bunds vs Netherlands	24-Nov-24	14.5	25	8	9	Fade the cheapness of GE long-end	Change in German constitution
Europe	Pay 1y1y Euribor-€str basis	24-Nov-24	21.5	30	17	22	Reduced liquidity, increased term funding cost	New ECB LTROs / early end to QT
Europe	5y1y ATM-25/-100bp rec spread	8-Feb-24	25bp	60bp	0	21bp	Lower ECB terminal rate, without negative carry	Better than expected EUR data
Europe	Long 5y Greece vs Portugal	19-Nov-23	42	0	65	11	Reduced supply in Greece, increased in Portugal	General sharp risk-off, high GR supply
UK	Receive UKTi 2036-2042 fwd real yield	28-Feb-25	267	200	300	285	Bullish call; roll-down	Heavy duration supply in FY25-26
UK	Long G vs. WN invoice spreads	28-Feb-25	13.9	30	5	23	Differing outlook on de-regs, supply & QT	Broad market risk-off
UK	Short 5y RPI	29-Jan-25	396	350	450	377	BofA forecast inflation profile	Trade war price disruption
UK	Long UKT 0 1/8% 2028 vs. UKT 4 3/8% 2028 on ASW (on z-spd)	24-Jan-25	-29	-40	-24	-32	Retail demand for low coupon Gilt	Change in the tax treatment of Gilts for retail
UK	UKTi 2037/39 real curve flattener	24-Oct-24	17	9	25	20	Attractive level; low coupon value	Supply related dislocation
UK	UKTi 2032/36/47 barbell (+43.8%/-100%/+56.2% risk)	05-Sep-24	14.8	5.0	20.0	17	Expect forward flattening	Illiquid conditions
UK	Short Sonia 3s5s7s (pay 5s)	05-Sep-24	-12	10	-21	-3.9	Mortgage paying flows	Stamp Duty tax rise at the Oct budget
UK	Pay 5y real Sonia, receive 5y real €str	21-Aug-24	43	-40	90	5	Supply, relative central bank policy	UK recessionary threat
UK	Sell UKTI 2036 v UKT 2042 on ASW	26-Jul-24	-21.0	-8.0	-28.0	-25.5	Historical extreme spread	Poor nominal auction demand
UK	UKTi 2052/68 yield flattener	20-Feb-24	-13	-35	0	27	Light ultralong supply, convexity	Illiquid market conditions
US	6m5y payer ladder	7-Mar-25	0bp	25bp	-10bp	3bp	Repricing of Fed policy through higher	Selloff beyond downside BE
US	6m1y rec spd	21-Jan-25	11bp	25bp	-11bp	15bp	Higher slowdown likelihoods	Limited to upfront premium
US	3m2y receiver spd vs 3m2y payers	21-Jan-25	0bp	30bp	10bp	13bp	Higher slowdown likelihoods	Selloff on American exceptionalism
US	Sell 1m10y vs 6m10y receiver	21-Jan-25	0bp	20bp	-10bp	11bp	Higher slowdown likelihoods	More significant rally near vs medium term
US	1y1y receiver 1x1.5	12-Dec-24	9bp	60bp	-15bp	-6bp	Hedging slowdown scenarios	Aggressive hard landing scenarios
US	1y fwd 5s30s bear steepener	24-Nov-24	0bp	30bp	-15bp	13bp	Term premium build & reacceleration scenarios	Bear flattening on hawkish Fed
US	1y10y payer spd vs 3m10y payer	24-Nov-24	0bp	30bp	-15bp	-2bp	Higher recalibration/reacceleration likelihoods	Frontloaded sell that fades medium term
US	1y1y straddles vs strangles	24-Nov-24	+0.31%	20bp str /vega	-10bp str /vega	0.29%	Long vol of vol	Lower vol of vol
US	Long 5y30y vol vs 2y30y vol	24-Nov-24	+5.5bp vega	15bp vega	-10bp vega	1bp	Vega supported bearish tail scenarios	Outperformance of intermediate vs long vega
US	1y4y inflation swap long	14-Nov-24	2.56	3.0	2.25	2.46	Higher inflation on tariffs, fiscal, immigration	Increase in harder landing risk
US	Mar/Sep SOFR/FF '25 curve flattener	13-Sep-24	0 bps	-3.5bp	+2bp	-3bp	Mar will widen w/ bill paydowns & TGA decline.	early debt limit resolution or SOFR spike
US	2y forward, 3s28s inf steepener	4-Sept-24	0bps	30bps	-15bps	-4bp	Reversion to historical inflation curve structure	Higher inflation expected in 2-5y vs longer term
US	1y fwd 2s10s floor ladder	28-May-24	-20bp	-40bp	-60bp	9bp	Hedging hawkish fed scenarios	Unlimited downside in Inversion > -80bp
US	5s30s steepener	6-Oct-23	20	90	-20	60	Lower carry hurdle & more balanced pricing cuts	Fed needs to hike more than priced
US	3y1y rtr spd a/-50bp	6-Nov-23	pay 23bp	50bp	-23bp	0bp	Soft landing scenario	Capped to premium
US	Long 1y10y rtp spd vs 4m10y rtp	3-Jul-24	0bp	20bp	-10bp	-7bp	Bearish election risks medium-term	Frontloaded bearish risks
APAC	10s20s JGB curve flattener	25-Mar-25	73	60	79.5	70.2	BoJ's de facto QT would raise 10yr yields while we expect lifers' demand for superlongs to improve	Increased fiscal risk premium and delayed rate hikes by BoJ
APAC	AU 6m3y receiver 1x1.5	27-Mar-25	4bp	30bp	-15bp	4bp	Dovish repricing of RBA terminal	Hawkish RBA shift
APAC	Buy AU 3y (YM), pay Aug '25 RBA	05-Mar-25	-8bp	-50bp	10bp	-16bp	YM trading cheap and global risks are rising	Strong NFP, market repricing of slowdown
APAC	2yr fwd 2s10s OIS flatteners	19-Feb-25	40	25	47.5	41.7	BoJ is likely to continue its policy normalization	Global economy slowdown
APAC	JP 1y2y payers spd vs 1y10y payers	24-Nov-24	0bp	40bp	-15bp	1bp	Bear flattening of the curve	Lagging BoJ & curve bear steepening
APAC	JP 1y5y payer ladders	24-Nov-24	0bp	28bp	-10bp	1bp	Repricing of policy trough	Underperformance vs. downside b/e
APAC	KR 1y fwd 2s10s bull steepeners	24-Nov-24	0bp	25bp	-10bp	2bp	Dovish BoK and bull steepening	Hawkish shift for BoK
APAC	KR 1y5y receiver spd	24-Nov-24	-16bp	34bp	-15bp	6bp	Repricing of policy trough lower	Capped to upfront premium

Source: BofA Global Research

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Exhibit 31: Global Rates Trade Book - closed trades
Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
Europe	Pay 1y1y CHF OIS	11-Dec-24	0.06%	0.35%	-0.10%	07-Mar-25	0.29%
	6m fwd 2s10s bull flattener OTM	23-Oct-24	0	900K	-500K	07-Mar-25	11K
	BTPei 2039 breakeven long	29-Jan-25	189	220	170	07-Mar-25	198
	US 9m30y payer spd vs EUR payer	5-Feb-25	0bp	30bp	-15bp	07-Mar-25	-15bp
	Receive 5y5y "real ESTR" rate	02-Jul-24	28	-20	60	07-Mar-25	60
	Pay Mar ECB €str	23-Jan-25	2.44	2.55	2.37	07-Mar-25	2.42
	BTPei'29/'33/'39 CDN barbell	18-Oct-24	31.6	15.0	40.0	27-Feb-25	25.3
	OATei '36'/'40/'43 fly	25-Sep-24	5.5	0.0	9.0	27-Feb-25	2.6
	Sell OATei 43 vs 53 on z-spread	03-Sep-24	29	15	37	27-Feb-25	28
	3m2y payer fly	23-Oct-24	14.7bp	40bp	3bp	16-Jan-25	16.1bp
	Receive 2y1y €str	2-Dec-24	1.74	1.4	1.95	2-Jan-25	2.01
	Long 30y Bunds	03-Sep-24	2.58%	2%	2.83%	12-Dec-24	2.44%
	Received 2y1y €str	03-Sep-24	2.12%	1.7%	2.4%	2-Dec-24	1.7%
	EUR 1y fwd 2s10s OTM floor, funded US floor	19-Nov-23	-15bp	25bp	-25bp	19-Nov-24	15bp
	Receive 3y1y €str vs CAD OIS	03-Sep-24	39	80	15	21-Nov-24	86
	Long Schatz vs Bobl Euribor spreads	31-Aug-23	3	15	-8	14-Nov-24	8
	3m fwd 10s30s bull flattener	23-Oct-24	0	900K	-500K	31-Oct-24	770K
	Pay belly of 5s10s30s	24-Jun-24	23	50	10	31-Oct-24	30
	Short ATM 1y2y payer vs OTM in US	03-Sep-24	0	25bp	-15bp	23-Oct-24	25bp
	Receive belly of 2s3s5s PCA fly	02-May-24	-20	-26	-16	21-Oct-24	-14.5
	Long Schatz ASW	05-Jul-24	32.4	47	24	18-Oct-24	23
	Pay 9Mx12M EUR FX-Sofr basis	22-May-24	-6.9bp	-2bp	-10.2bp	18-Oct-24	-1.6
	1y1y/2y3y EURi steepener	26-Jul-24	3	16	-5	25-Sep-24	8
	EUR 2y 3s6s widener	19-Mar-24	8.1	14	5	12-Sep-24	4.8
	Receive 2y1y €str	19-Nov-23	2.45	1.70	2.90	03-Sep-24	2.09
	Long 6m7y OTM receiver vs 6m7y OTM payer	24-Jun-24	0	800K	-400K	07-Aug-24	800K
	Sep24 FRA-OIS widener	02-Feb-24	11.3	15	5	05-Aug-24	12.5
	1y fwd 2s10s EURi steepener	19-Jan-24	13	30	4	26-Jul-24	17
	5s10s EURi steepener	19-Nov-23	8	25	-5	26-Jul-24	12
	6m fwd 2s5s bull flattener	20-May-24	0	300K	-150K	25-Jul-24	-150K
	10s30s flattener in EUR vs US	04-Oct-23	0	40	-20	24-Jun-24	7
	Long OAT Apr29 vs BGB Jun29	25-Apr-24	8	2	11	10-Jun-24	5.9
	OATei 2029s/2053s real curve flattener	16-Apr-24	37	10	50	04-Jun-24	19
	OATei 2027s/2029s real curve steepener	9-Feb-24	7.4	18.0	2.0	04-Jun-24	-2
	Long 10y Bund vs UST	13-Feb-24	182	225	155	09-May-24	200
	Sell EUR 6m5y OTM payer to buy OTM payer in US	19-Nov-23	0	600K	-400K	18-Apr-24	110K
	Receive 2y3y €str vs SOFR	04-Oct-23	104	180	60	04-Apr-24	155
	BTP ASW 5s10s steepener	19-Nov-23	50	75	35	04-Apr-24	55
	Long DBRi 2026/short OATei 2026 on z-spread	22-Mar-24	10	-10	20	04-Apr-24	14
	3m1y ATM+25/+50 payer spd	06-Dec-23	5	15	0	23-Feb-24	15.5
	Pay Apr ECB date, receive Mar	02-Feb-24	-18	0	-28	19-Feb-24	-11
UK	Receive Aug MPC-dated Sonia	14-Mar-25	4.07	3.95	4.13	24-Mar-25	4.13
	Pay March MPC Sonia	7-Feb-25	4.397%	4.468%	4.357%	20-Feb-25	4.45
	1y fwd 2s10s Sonia steepener	8-Nov-24	-1	25	-15	31-Jan-25	-15
	Pay 5y real Sonia	12-Jul-24	1	60	-30	29-Jan-25	15
	Sell UKT 4.5% 2028 vs. UKT 0.5% 2029 (on z-spd)	05-Sep-24	-8	-20	4	24-Jan-24	-9.2
	Buy UKT 4 3/8 2054 vs. T 4 5/8 2054 on ASW	12-Jul-24	1.0	-15.0	10.0	31-Oct-24	2.7
	Buy UKT 5/8% 2050 vs. 4 5/8% 2034 on ASW	07-Jun-24	33.5	13.0	45.0	31-Oct-24	23.8
	Sell SFIM9 vs. SFIM6 futures	14-Jun-24	-19.5	10	-35	09-Sep-24	5
	UKTi 2032-36-42 barbell (+35%/-100%/+65%)	26-Apr-24	13.6	5	18	05-Sep-24	11.8
	UKTi '36/47 vs '34/46 fwd yield sprd	2-Feb-24	24	8	32	05-Sep-24	16
	UKTi 2036/47 real curve flattener	26-Sep-23	55	30	70	05-Sep-24	51
	Sell UKT4e27 v UKT1e28 on ASW	10-Nov-22	1.8	-25	12	05-Aug-24	-25
	Aug-Dec MPC-dated Sonia steepener	19-Jul-24	-38.0	-20.0	-48.0	2-Aug-24	-40
	UKTi 2029s real yield short	10-May-24	21	70	-10	12-Jul-24	30
	Real yield switch - UKTi 2033 into OATei 2034	18-Oct-23	26	-25	50	14-Jun-24	53
	Long SFIZ4 vs. short SFIM4	03-May-24	33.5	50	20	09-May-24	44.5
	Pay Jun'24 BoE-dated Sonia vs Jun'24 ECB-dated Estr	22-Mar-24	132	153	122	11-Apr-24	139.5
	Sell Dec'24 BoE MPC-dated Sonia vs.BoC CORRA OIS	06-Feb-24	14	75	-25	11-Mar-24	33
US	1y10y payer ladders	28-May-24	0bp	37bp	-20bp	27-Mar-25	5bp
	6m5y payer ladder	24-Nov-24	0bp	27bp	-15bp	27-Mar-25	7bp
	M5/Z6 flatteners	4-Feb-25	-18	-50	10	3-Mar-25	-48.5
	6m1y rtp ladders	9-Aug-24	0	25	-20	9-Feb-25	16
	Short 30y spreads (May '54)	20-Jun-24	-80	-105	-65	06-Feb-25	-80
	Receive TII 1/26 to TII 1/30 fwd real yield	12-Dec-24	1.77	1.4	1.98	19-Dec-24	2.05
	1y2y risk reversal	24-Nov-24	0	30	-15	9-Nov-24	15

Exhibit 31: Global Rates Trade Book - closed trades

Closed trades

	Closed trades	Entry date	Entry level	Target	Stop	Close date	Level closed
	5s10s TII steepener	19-Nov-23	-6	50	-40	14-Nov-24	15
	Long 5y30y vol vs 2y30y vol	20-Nov-22	+14bp vega	15bp vega	-10bp vega	24-Nov-24	21bp
	1y fwd 2s10s cap spd a/+50bp	6-Nov-23	20bp	30bp	-20	6-Nov-24	18bp
	Short 1y1y vs 1y10y vol	6-Nov-23	Rec 26bp	30bp	-20	14-Nov-24	27bp
	Buy Dec TY basis	22-Oct-24	0 ticks	2 ticks	-0.75 ticks	06-Nov-24	1.5 ticks
	SOFR M5-Z7 steepener	20-Sep-24	0	50	-30	4-Oct-24	-30
	Long Mar SOFR/FF	8-May-24	-1.5bp	2bp	-3.5bp	15-Jul-24	-3.5
	2-10 CAD steepener vs 2-10 US flattener	4-Jun-24	-17.2	15	-40	13-Jun-24	-10
	Short 1y1y inflation swap	13-Jun-24	2.39	1.9	2.7	26-Aug-24	2.28
	6m10y rtp ladders	26-Mar-24	0bp	28bp	-20bp	26-Sep-24	0bp
	Long 30y BE	26-Mar-24	2.28	2.75	2.05	5-Aug-24	2.05
	Oct / Nov SOFR/FF curve steepener	9-Nov-23	-0.5bp	+2.5bp	-2bp	8-May-24	-0,5bp
	2y fwd 2s10s cap	8-Jul-22	45	150	-50	8-Jul-24	-15bp
	SOFR/FF widener in 1y1y vs 2y1y	9-Nov-23	-0.75bp	-2.5bp	+2bp	8-May-24	-1.05bp
	Long 5Y nominal	18-Apr-24	4.62%	4%	-18bp	9-May-24	4.46%
	M5-M7 SOFR Steepener	13-Dec-23	-3bp	75bp	-40bp	6-Mar-24	-41bp
	Long 2y inflation swap	22-Jan 24	2.20	2.60	1.90	21-Mar-24	2.55
	6m2y rtp spd vs 6m2y otm rtr	19-Nov-23	0bp	55bp	-25bp	2 May 24	41bp
	6m10 rtp ladders a/+32bp/+64bp	19-Nov-23	0bp	32bp	-20bp	21-March-24	15bp
	Long 2y CA vs short 2y US	19-Nov-23	-39bp	-70bp	-15	14-Mar-24	-47
	1y10y receiver spreads	9-Mar-23	-18bp	32bp	-18bp	9-Mar-24	-18bp
	AU 1y1y risk reversal	24-Nov-24	0bp	40bp	-20bp	27-Mar-25	23bp
	AU Long 1y2y AU vs US receivers	24-Nov-24	0bp	40bp	-20bp	27-Mar-25	15.5bp
	Mar/Sep '25 BOB steepener	3-Oct-24	2bp	6bp	0bp	18-Mar-25	4bp
	Short 5yr JGB ASW	24-Jan-25	0	8	-5	06-Mar-25	8
	Receive Feb '25/ Pay Apr '25 RBA s	29-Jan-25	-11bps	0bp	-17bp	21-Feb-25	-4bp
	AU pay 5y5y 6s3s	19-Nov-23	4.4bps	9bp	2bp	05-Feb-25	8.45bp
	5yr20yr JGB curve flatteners	9-Jan-25	114	104	119	17-Jan-25	104
	Long 20yr JGB asset swap	24-Nov-24	27	20	31	16-Jan-25	31
	Receive AU 5y5y IRS vs US	11-Nov-24	107	75	123	20-Dec-24	74
	Long 5yr ACGBs vs 5yr JGBs	24-Nov-24	305	280	320	13-Dec-24	320
	AU Pay Feb '25 RBA, buy Sep futures	24-Nov-24	-23bp	-45bp	-12bp	10-Dec-24	-48bp
	AU/JP: buy 5y ACGBs, sell 5y JGBs	24-Nov-24	352bp	305bp	375bp	10-Dec-24	305bp
	KRW 1y5y receiver spd	5-Jun-24	15bp	25bp	-15bp	19-Nov-24	13bp
	JPY 6m5y payer ladders	10-Jul-24	0bp	30bp	-15bp	19-Nov-24	6bp
	JPY 6m7y payer ladders	23-Sep-24	0bp	13bp	-10bp	19-Nov-24	2bp
	AUD 1y fwd 2s10s bull steepener	19-Nov-23	0bp	30bp	-25bp	19-Nov-24	-4bp
APAC	AUD 1y5y rtr spd a/-40bp	19-Nov-23	17.5bp	22.5bp	-18bp	19-Nov-24	12bp
	AUD 1y5y rtr spd vs 3m5y rtr a-12bp	19-Nov-23	0bp	40bp	-25bp	19-Nov-24	-1bp
	JPY 1y fwd 5s30s bear flattener	19-Nov-23	0bp	25bp	-20bp	19-Nov-24	-12bp
	2s10s 6s3s steepener	12-Aug-24	-6bp	0bp	-9bp	19-Jun-24	-9bp
	Pay Dec '24 RBA	20-Aug-24	4.125%p	4.34%	4.01%	17-Oct-24	4.27%
	Sell Mar '25 futures, buy Dec '24 & Sep '25 futures	12-Aug-24	4bp	14bp	-1bp	20-Aug-24	0bp
	1y1y/3y2y flattener	26-Jul-24	18bp	3bp	25.5bp	26-Jul-24	6.5bp
	Jun24/Dec24 bills-OIS flattener	19-Jun-23	7.5bp	1.5bp	10.5bp	13-Jun-24	5bp
	Receive 10y swap spreads	17-May-23	51	20	65	3-Apr-24	20
	Buy ACGB 3.5% 2034 vs. UKT 0.625% 2035	13-Nov-23	18.5	-40	45	22-Feb-24	-5.1
	JPY 6m10y rtp spd vs 6m2y rtp	19-Feb-24	0bp	40bp	-20bp	19-Aug-24	0bp
	Swap EFP (3y/10y) box flattener	19-Nov-23	10b[s	0bps	15bps	22-Mar-24	-1
	receive AU 5y5y IRS, pay US 5y5y IRS	19-Nov-23	109	0	148	21-Feb-24	99
	2yr10yr TONA swap steepener	1-Feb-24	68.5	80	62.7	22-Feb-24	62.7
	Feb/Mar 2024 OIS steepener	19-Nov-23	0	15	-7.5	12-Jan-24	-7.5
	Pay June 2024 3m bills vs OIS	7-Nov-23	15	30	8	12-Jan-24	8
	10yr/30yr TONA swap flatteners	19-Nov-23	59	49	64	19-Jan-24	64
	10yr/30yr TONA swap flatteners	19-Nov-23	59	49	64	19-Jan-24	64

Source: BofA Global Research

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Global rates forecasts

Exhibit 32: Latest levels and rate forecasts
Forecasts by quarter up to Q2 '26 plus YE 2026

		Latest	Q2 25	Q3 25	YE 25	Q1 26	Q2 26	YE 26
USA	O/N SOFR	4.35	4.29	4.31	4.32	4.33	4.34	4.35
	2y T-Note	3.99	4.00	4.00	4.00	4.05	4.10	4.25
	5y T-Note	4.09	4.10	4.15	4.20	4.25	4.30	4.40
	10y T-Note	**4.36**	**4.30**	**4.40**	**4.50**	**4.55**	**4.60**	**4.75**
	30y T-Bond	4.72	4.70	4.75	4.80	4.85	4.90	5.00
	2y Swap	3.85	3.84	3.82	3.80	3.85	3.90	4.05
	5y Swap	3.79	3.80	3.83	3.86	3.91	3.96	4.06
	10y Swap	**3.90**	**3.85**	**3.93**	**4.01**	**4.04**	**4.07**	**4.22**
	30y Swap	3.90	3.90	3.93	3.96	3.98	4.00	4.07
Germany	3m Euribor	2.36	1.90	1.65	1.70	1.70		1.75
	2y BKO	2.07	2.10	1.85	1.95	2.05		2.20
	5y OBL	2.37	2.40	2.20	2.25	2.35		2.45
	10y DBR	2.77	2.75	2.50	2.60	2.65		2.75
	30y DBR	3.13	3.05	2.95	3.05	3.10		3.25
	2y Euribor Swap	2.22	2.20	1.95	2.00	2.10		2.20
	5y Euribor Swap	2.43	2.40	2.20	2.25	2.35		2.45
	10y Euribor Swap	**2.69**	**2.60**	**2.40**	**2.50**	**2.55**		**2.65**
	30y Euribor Swap	2.66	2.50	2.45	2.60	2.70		2.90
Japan	TONA	0.48	0.73	0.73	0.98	0.98	0.98	1.23
	2y JGB	0.89	1.05	1.08	1.30	1.30	1.40	1.65
	5y JGB	1.18	1.25	1.28	1.55	1.55	1.65	1.90
	10y JGB	**1.59**	**1.50**	**1.50**	**1.65**	**1.65**	**1.75**	**2.00**
	30y JGB	2.59	2.55	2.55	2.60	2.60	2.63	2.65
	2y Swap	0.89	1.03	1.05	1.28	1.28	1.38	1.63
	5y Swap	1.11	1.20	1.23	1.45	1.45	1.55	1.80
	10y Swap	**1.39**	**1.35**	**1.38**	**1.53**	**1.53**	**1.63**	**1.88**
U.K.	3m Sonia	4.38	4.10	3.85	3.60	3.50	3.50	3.50
	2y UKT	4.27	4.00	3.70	3.55	3.55	3.55	3.55
	5y UKT	4.39	4.35	4.30	4.30	4.30	4.30	4.30
	10y UKT	**4.78**	**4.75**	**4.70**	**4.65**	**4.65**	**4.65**	**4.65**
	30y UKT	5.37	5.30	5.30	5.30	5.30	5.30	5.30
	2y Sonia Swap	4.10	3.85	3.60	3.50	3.50	3.50	3.50
	5y Sonia Swap	4.09	4.10	4.10	4.10	4.10	4.10	4.10
	10y Sonia Swap	**4.27**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**	**4.25**
Australia	3m BBSW	4.11	3.85	3.85	3.60	3.60	3.60	3.60
	2y ACGB	3.75	3.50	3.25	3.00	3.05	3.10	3.50
	5y ACGB	3.95	3.60	3.40	3.20	3.25	3.30	3.40
	10y ACGB	**4.49**	**4.05**	**3.90**	**3.75**	**3.80**	**3.85**	**4.00**
	3y Swap	3.69	3.50	3.25	3.00	3.05	3.10	3.50
	10y Swap	**4.37**	**4.05**	**3.90**	**3.75**	**3.80**	**3.85**	**4.00**
Canada	2y Govt	2.55	2.50	2.50	2.50	2.50	2.50	2.50
	5y Govt	2.73	2.65	2.70	2.75	2.80	2.85	2.95
	10y Govt	**3.10**	**3.00**	**3.05**	**3.10**	**3.15**	**3.20**	**3.30**
	2y Swap	2.41	2.37	2.37	2.37	2.37	2.37	2.37
	5y Swap	2.51	2.43	2.48	2.53	2.58	2.63	2.73
	10y Swap	**2.84**	**2.74**	**2.79**	**2.84**	**2.89**	**2.94**	**3.04**

Source: BofA Global Research. US swaps vs overnight Sofr, EUR swaps vs 6M Euribor, Japan swaps vs Tona, GBP swaps vs Sonia, AUD swaps vs BBSW, CAD swaps vs 3M BAs

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Appendix: Common acronyms

Exhibit 33: Common acronyms/abbreviations
This list is subject to change

Acronym/Abbreviation	Definition	Acronym/Abbreviation	Definition
1H	First Half	IG	Investment Grade
2H	Second Half	IT	Italy
1Q / Q1	First Quarter	NADEF	Nota Aggiornamento Documento Economia e Finanza
2Q / Q2	Second Quarter	NFR	Net Financing Requirement
3Q / Q3	Third Quarter	lhs/LS	left-hand side
4Q / Q4	Fourth Quarter	m	month
ann	annualized	MA	Moving Average
APF	Asset Purchase Facility	MACD	Moving average convergence/divergence
APP	Asset Purchase Programme	MBM	Meeting-by-meeting
AS	Austria	mom	month-on-month
BdF	Banque de France (Bank of France)	MPC	Monetary Policy Committee
BE	Belgium	MWh	Megawatt-hour
BEA	Bureau of Economic Analysis	NGEU	NextGenerationEU
BLS	Bank Lending Survey	NE	Netherlands
BoE	Bank of England	NRRP	National Recovery and Resilience Plan
BoI	Banca d'Italia (Bank of Italy)	NSA	Non-seasonally Adjusted
BoJ	Bank of Japan	NS&I	National Savings & Investment
BoS	Banco de España (Bank of Spain)	OAT	Obligations assimilables du Trésor
bp	basis point	OBR	Office for Budget Responsibility
BTP	Buoni Poliennali del Tesoro	OECD	Organisation for Economic Co-operation and Development
Buba	Bundesbank	ONS	Office for National Statistics
c	circa	OBR	Office for Budget Responsibility
CA	Current Account	p	preliminary/flash print
CB	Central Bank	PBoC	People's Bank of China
CPI	Consumer Price Index	PEPP	Pandemic Emergency Purchase Programme
CSPP	Corporate Sector Purchase Programme	P&I	Pension and Insurance
CGNCR	Central Government Net Cash Requirement	PMI	Purchasing Managers' Index
d	day	PMRR	Preferred Minimum Range of Reserves
GE	Germany	PPF	Pension Protection Fund
DMO	Debt Management Office	PRT	Pension Risk Transfer
DS	Debt sustainability	PSPP	Public Sector Purchase Programme
DXY	US Dollar Index	PT	Portugal
EA	Euro area	QE	Quantitative Easing
EC	European Commission	qoq	quarter-on-quarter
ECB	European Central Bank	QT	Quantitative Tightening
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EFSF	European Financial Stability Facility	RBNZ	Reserve Bank of New Zealand
EGB	European Government Bond	rhs/RS	right-hand side
EIB	European Investment Bank	RPI	Retail Price Index
EMOT	Economic Mood Tracker	RRF	Recovery and Resilience Facility
EP	European Parliament	RSI	Relative Strength Index
SP	Spain	SA	Seasonally Adjusted
ESI	Economic Sentiment Indicator	SAFE	Survey on the access to finance of enterprises
ESM	European Stability Mechanism	SMA	Survey of Monetary Analysts / Simple moving average
EU	European Union	SNB	Swiss National Bank
f	final print	SPF	Survey of Professional Forecasters
FR	France	STR	Short Term Repo
FY	Fiscal Year	SURE	Support to mitigate Unemployment Risks in an Emergency
GC	Governing Council	S&P	Standard & Poor's
GDP	Gross Domestic Product	TFSME	Term Funding Scheme with additional incentives for SMEs
GNI	Gross National Income	TLTRO	Targeted Longer-term Refinancing Operations
GFR	Gross Financing Requirement	TPI	Transmission Protection Instrument
GR	Greece	TTF	Title Transfer Facility
GSB	Green Savings Bond	UK	United Kingdom
HICP	Harmonised Index of Consumer Prices	UST	US Treasury yield
HMT	His Majesty's Treasury	WDA	Work-day Adjusted
IMF	International Monetary Fund	y	year
INSEE	National Institute of Statistics and Economic Studies	yoy	year-on-year
IP	Industrial Production	ytd	year-to-date
IR	Ireland	DV01	Dollar value of a one basis point change in yield
IGFR	Illustrative Gross Financing Requirement	WAM	Weighted Average Maturity
PCA	Principal Component Analysis		

Exhibit 33: Common acronyms/abbreviations
This list is subject to change

Acronym/Abbreviation	Definition	Acronym/Abbreviation	Definition

Source: BofA Global Research

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