Global Economic Weekly

The bond market triggers the Trump put

Global Letter: The bond market triggers the Trump put

This week played out along our fundamental views: (i) tariffs are a negotiation tool and not just an end themselves; (ii) China is in a different bucket, as the conflict is geopolitical rather than commercial; (iii) the Fed is unlikely to cut any time soon, even though the market downplays the -flation part of stagflation and prices too many cuts. In addition, it seems we found the strike price of the Trump put in bonds rather than stocks. While a US slowdown looks more likely than a recession after the 90-day pause, pain will remain in the back end of the curve as the US is trading closer to an emerging market amid fiscal risks and less foreign appetite for dollar assets.

United States: Tariffs: show me the money

We are skeptical that tariff revenues will offset the cost of the anticipated fiscal package. Firms and consumers are likely to rotate away from China. The Daily Treasury Statement released on April 24 will give us a first read on whether tariff collection is matching the figures announced. Lesser-than-expected tariff revenues would mean less stagflation, worse deficit problems down the line and a slightly easier decision for the Fed to stay on hold.

Euro area: ECB preview – saved by the bell

We expect the ECB to cut policy rates by 25bp with dovish communication on the outlook, cracking the door open to rates below neutral. But careful, the reference to "meaningfully less restrictive" rates probably goes, perhaps we hear a pause was discussed. The June forecasts will matter, inflation ingredients point to lots of downside.

UK: Rollercoaster

Risks of 50bps May cut reduced from low levels, given lower financial stability risks. But growth risks remain, which along with potential disinflationary tariff impact and lower energy prices, imply risks are shifting to faster cuts than our baseline quarterly path.

China: Tariffs push the PBoC closer to a cut

Amid global uncertainties over Trump's tariffs, the PBoC is likely poised to cut the reserve requirement ratio (RRR), which the central bank had telegraphed but refrained from doing since September 2024, as well as the policy interest rate.

Emerging EMEA: Slippery slope for Angola and Nigeria

Oil in 60s are negative for Angola + Nigeria. Fiscal external accounts weaken into deficits, and financing risks increase. Angola more exposed- twin deficits, and high external debt service. Would need IMF support to anchor reform and financing.

Latin America: Brazil – high carry attracting interest

We spent three days visiting local investors, government officials and SOEs in Rio, Brasilia and São Paulo. Bumpy road until 2026 elections are a risk, but high real rates and perspective of alternance in power are attractive.

11 April 2025

Economics
Global

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Global Letter

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The bond market triggers the Trump put

This week played out along our fundamental views: (i) tariffs are a negotiation tool and not just an end themselves; (ii) China is in a different bucket, as the conflict is geopolitical rather than commercial; (iii) the Fed is unlikely to cut any time soon, even though the market downplays the -flation part of stagflation and prices too many cuts.

In addition, it seems we found the strike price of the Trump put, but the trigger was Treasury yields rather than the stock market. While a US slowdown looks more likely than a recession after the 90-day pause, pain will remain in the back end of the curve as the US is trading closer to an emerging market amid fiscal risks and less foreign appetite for dollar assets.

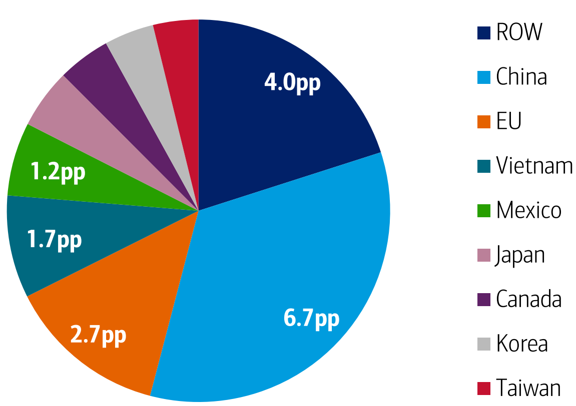
The relief from the 90-day pause was short lived

The decision from President Trump to implement a 90-day pause on tariffs on all countries while doubling down on China initially brought relief to the equity market, but long-term US bonds kept selling off regardless. In fact, in Trump's quest for lower interest rates, we believe what triggered the Trump put was the selloff in the back end of the curve, but both stocks and bonds sold off again yesterday. It seems US assets are starting to trade as those of an emerging market, with fiscal risks leading to selloffs in both rates and the currency amid an overall lack of appetite.

Tariff bifurcation could ameliorate the shock, but stagflation will remain at play

Still, a recession in the US seems somewhat less likely in a scenario where most of the tariff increase lies solely on China. Even if the shock to the effective tariffs looks similar at face value, the incentives for trade diversion, friendshoring, or rerouting, will likely lead to a much lower impact ex-post (Exhibit 1 and Exhibit 2). But a stagflationary shock will still be at play.

Exhibit 1: A similar shock taking effective tariffs to 20% at face value...
Contributions by country to the US effective tariff rate



Source: Census Bureau, BofA Global Research, Haver Analytics. Note: this calculation includes the prior 20pp tariff increase on China, the 25% tariffs on autos and parts, and the tariffs on non-USMCA compliant imports from Canada and Mexico

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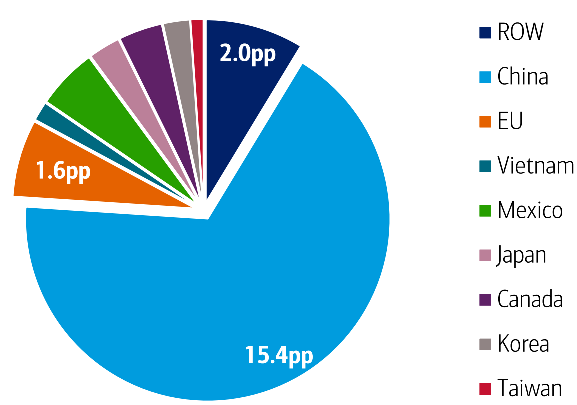
Exhibit 2: ... but a very different composition will likely limit the shock
Contributions by country to the US effective tariff rate



Source: Census Bureau, BofA Global Research, Haver Analytics. Note: this calculation includes the prior 20pp tariff increase on China, the 25% tariffs on autos and parts, and the tariffs on non-USMCA compliant imports from Canada and Mexico

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The geopolitical quest: The West vs China

What does the policy shift say about the end game? Two of our core views are now playing out. On the one hand, tariffs are being used as a negotiating tool, even if the impact on the US tariff rate will likely be higher than initially expected. On the other hand, that the trade war with China is a separate issue, of geopolitical rather than commercial nature. The 90-day pause to negotiate deals could signal the intention of the Trump administration to align the West to the US' stance towards China.

The market wants to ignore the -flation part of stagflation

Going back to the short-term outlook and markets, the 90-day pause brought initial relief, but equity markets had a substantial selloff the day after, and Treasuries kept selling off all along (Exhibit 3 and Exhibit 4). Even so, the rates market is still pricing more than three Fed cuts this year following a favorable inflation print. But in our view, the Fed will not look through the tariff shock, especially if activity does not tank.

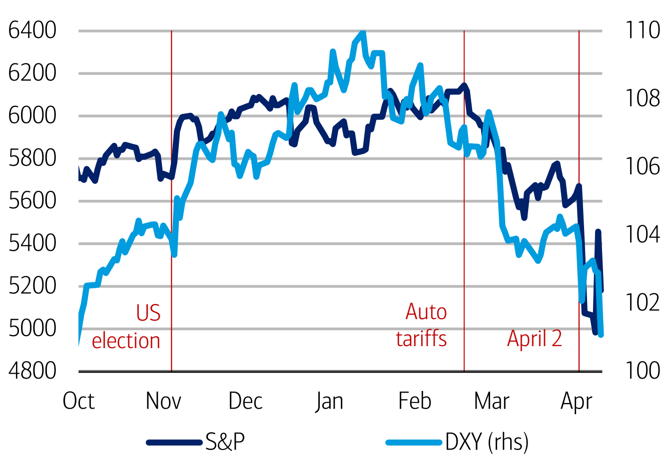
After 4 years of high inflation, unfavorable dynamics with inflation stuck close to 3% even before tariffs, and inflation expectations deteriorating over time, we continue to think the Fed will remain on hold for the foreseeable future and focus on upside inflation risks. But the market seems to think the activity deceleration will be significant enough for the Fed to look through tariffs and focus on the inflation part of the mandate, a risky proposition after the recent "transitory" inflation episode.

The pain in the back end

While everyone was looking at the stock market, the Trump put was triggered by the rates selloff. The real problem are now long-term interest rates. The back end of the curve keeps selling off even when the front end rallies and is above pre-April 2 levels (Exhibit 4). This may bring into question the safe-haven nature of long-dated Treasuries at a time the Trump administration seemed focused to bring interest rates down.

Beyond a more hawkish Fed pushing the curve higher, we think there are two key issues at play: fiscal risks, and external demand. Foreign appetite for USD-denominated assets may have diminished as the market rebalances away from the US exceptionalism story and US assets trade increasingly similar to an emerging market. To the generalized lack of appetite for dollar assets, we also need to add potential risks of foreign central banks reshuffling their reserve buffers over time.

Exhibit 3: The Trump put was triggered at the edge of a bear market…
S&P 500 index and DXY dollar index



Source: BofA Global Research, Bloomberg

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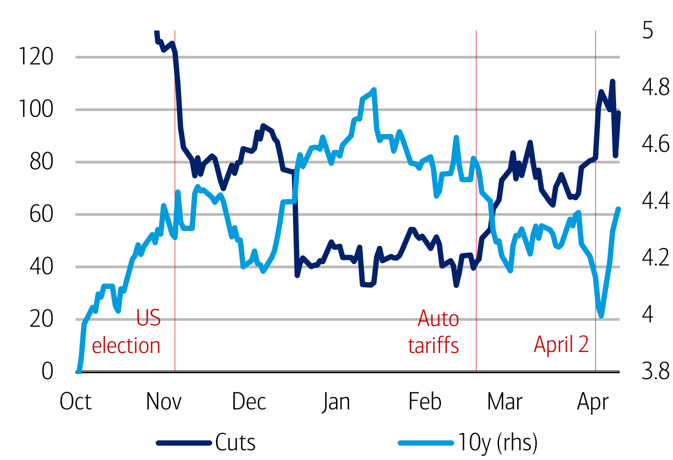
Exhibit 4: … but the pain remains in the back end of the curve
Fed cuts priced in by end-2025 and 10y rates



Source: BofA Global Research, Bloomberg

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Tariffs: show me the money

- We are skeptical that tariff revenues will offset the cost of the anticipated fiscal package. Firms and consumers are likely to rotate away from China.
- The Daily Treasury Statement released on April 24 will give us a first read on whether tariff collection is matching the figures announced.
- Lesser-than-expected tariff revenues would mean less stagflation, worse deficit problems down the line and a slightly easier decision for the Fed to stay on hold.

Complete report: **US Economic Weekly: Tariffs: show me the money 11 April 2025**

Could tariffs pay the fiscal bill?

After the elections, many investors were of the view that the Trump Administration would pursue deficit reduction. Yet the budget resolution adopted by both the Senate and the House could be massively expansionary: the Committee for a Responsible Federal Budget estimates that by FY2034, it could drive the deficit up to nearly 9% and would increase the debt by nearly $7tn relative to current law. What happened to fiscal responsibility?

That's where tariffs enter the equation. Last week we argued that it probably wasn't just a coincidence that the Senate unveiled its package on April 2. Based on the various measures that have been announced (and walked back) since President Trump took office, we estimate that the effective tariff rate would rise from 2.3% before the elections to about 25% if there is no shift in import patterns. This would increase annual tariff revenues by over $800bn.

So on paper, tariffs offset the cost of the Senate package. And this is probably one argument being used to get the Republican deficit hawks in the House and the Senate on board with the fiscal package.

The tariff base is likely to erode

However, we do not view tariffs as a reliable source of revenue. More than 70% of the estimated revenue increase would come from the hike in China tariffs to 145%. Companies are likely to respond by shifting their supply chains away from China over time. This would significantly reduce tariff revenues, even if it helps achieve the administration's geopolitical objective of decoupling from China. Companies will also be highly incentivized to find other legal loopholes to reduce their tariff bills.

For example, during the 2018-19 US-China trade war, the Petersen Institute calculated that average tariffs on Chinese goods were nearly 20%. Yet customs revenues never matched this estimate (Exhibit 5). Before the 2024 elections, the effective tariff on Chinese goods was only around 11%. This is probably because some firms got exclusions, while others either moved production to other countries or found ways to avoid the tariffs.

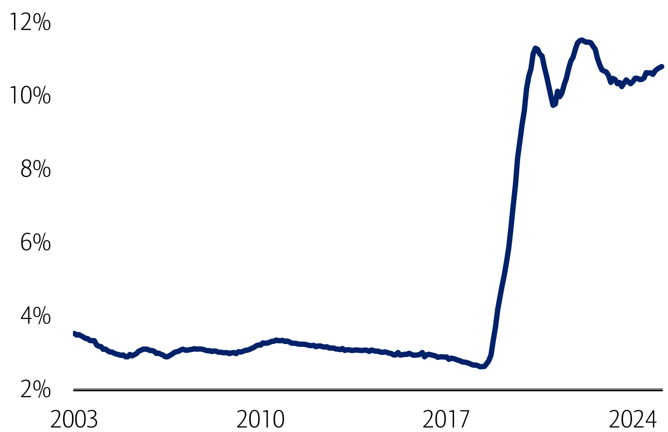
Consumer demand will probably adjust even faster than supply, especially since China exports a fair share of consumer goods. There is already evidence of stockpiling ahead of the tariffs. If the prices of goods made in China start to increase, consumers will rotate away from those products where possible.

A deal is still on the table

Although US-China decoupling is likely to continue, both sides have incentives to de-escalate tensions in the near term by lowering bilateral tariff rates, at least moderately (China has announced an 84% tariff on US goods). The risk is that any deal with China might be delayed until after the reconciliation bill is passed. But by 2026, this could be another reason for decreased tariff revenues. It is also possible that companies will be granted (or have already been granted) exclusions, as was the case in 2018-19.

In summary, there are many reasons why tariff revenues might be much smaller than the current 25% effective rate would suggest. So, what should investors watch to understand the "actual" shift in the trade regime?

Exhibit 5: Before the 2024 elections, the effective tariff on Chinese goods was only around 11%
Effective tariff rate on China (%)



Source: Census Bureau, BofA Global Research

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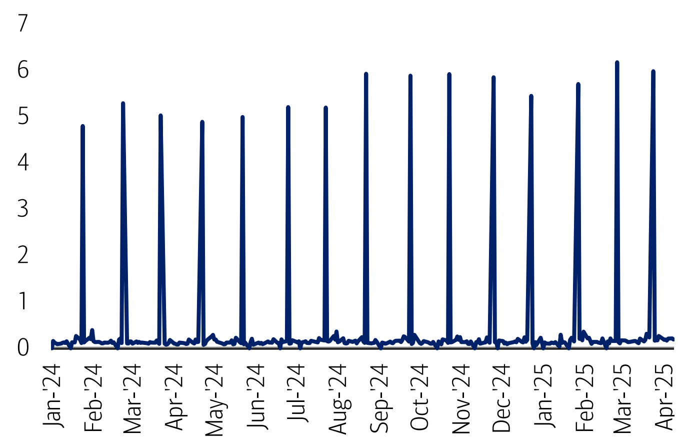
Exhibit 6: Tariff payments for monthly imports are usually reflected in a spike in customs revenues in the DTS for the 16th business day of the following month
Daily customs revenues ($bn)



Source: US Treasury, Haver Analytics

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Mark your calendar for April 24

We recommend keeping a close eye on the tariff revenue data reported by the US Treasury. Most firms appear to pay their tariffs on the 15th business day of each month: over the last year, more than 65% of monthly tariff revenues have been collected on the 15th business day.

This monthly inflow is reflected in a spike in customs revenues in the Daily Treasury Statement (DTS) for the 16th business day (Exhibit 6), which is released at 4pm on the 17th business day. The customs revenue data for March did not show a meaningful increase from prior months, even though the first 10% increase on Chinese imports was implemented on February 4. That increase alone should have raised monthly customs revenues by over 50% (so it would be hard to miss). Our best guess is that customs revenues in March didn't increase meaningfully because tariffs weren't applied to goods that had already left Chinese ports on February 4.

If that is correct, we should get our first clear read on the impact of this administration's tariff hikes in the April customs data. The monthly spike in tariff revenues is likely to show up in the April 23 DTS, which will be released at 4pm on April 24 (we assume there won't be a DTS for Good Friday (April 18)).

Revenues should increase substantially further in subsequent months, as the impact of the additional tariff hikes on China, the auto tariffs and the 10% baseline tariffs on all other countries kick in. Exhibit 7 lists the 17th business day of each month for the rest of 2025: that's when we will know (for the most part) where customs revenues will land for that month.

Exhibit 7: The 17th business day of each month is when we will know (for the most part) where customs revenues will land for that month
Date of DTS release

Month for which tariffs are collected	Date of DTS release showing customs revenue spike
Mar-25	4/24/2025
Apr-25	5/23/2025
May-25	6/25/2025
Jun-25	7/24/2025
Jul-25	8/25/2025
Aug-25	9/24/2025
Sep-25	10/24/2025
Oct-25	11/26/2025
Nov-25	12/23/2025

Source: BofA Global Research
Note: This is the 17th business day of each month unless there is a holiday before that.

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Macro implications: no free lunch

Our base case is that the effective tariff rate will end up substantially below 23%, for all the reasons cited above. This would be good news for the economy in the near term, because it would be less stagflationary. Markets seem to agree with this view, given the relief rally after Trump delayed tariffs for all countries besides China on Wednesday.

But this outcome would be bad news for the deficit, as there would be less of a revenue offset to the anticipated fiscal package. Looser fiscal policy could be inflationary in coming quarters, especially as the trade policy uncertainty shock fades.

If we are wrong, and tariff revenues surge more than we are expecting, that would point to a more stagflationary near-term outlook. The trade-off would be lesser concerns about the deficit.

Fed: less stagflation = easier choices

In the first scenario, inflation would likely peak lower but be more persistent, as activity might not weaken enough to drive disinflation down the line. The second scenario would bring a higher peak in inflation, greater near-term concerns about unanchoring of inflation expectations, and also more difficult trade-offs for the Fed if the labor market were to deteriorate. We see a strong case for the Fed to stay on hold this year in either case, because of inflation concerns. But that decision will be less challenging in the first scenario, with a less stagflationary outlook.

Euro area

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ECB preview: saved by the bell

- We expect the ECB to cut policy rates by 25bp with dovish communication on the outlook, cracking the door open to rates below neutral.
- But careful, the reference to "meaningfully less restrictive" rates probably goes, perhaps we hear a pause was discussed.
- The June forecasts will matter, but at this stage, all ingredients point to much weaker inflation prospects than a month ago.

Complete report: ***Europe Economic Weekly: We need a break, not a pause 11 April 2025***

25bp cut next week, more to come after

We expect the ECB to cut policy rates by 25bp and we think the reference to monetary policy being meaningfully less restrictive is, on the margin, to go. However, this will likely come with a more dovish description of the outlook, clearly leaving the door open to stimulate the economy – albeit indirectly. A balance of risks to the downside on inflation could do the trick. Acknowledging a discussion on the potential need to move into accommodative territory, while pointing to forecasts in June as a key input, could also be a reasonable alternative.

Beyond this, we expect Lagarde to emphasize the three usual elements of the ECB discussion (inflation well on track, massive uncertainty, and the need to be extremely data-dependent) as a way of answering questions about the recent shocks and market repricing hitting the economy. The focus will be, again, on the June forecasts exercise as a way to incorporate all the shocks and of determining the next steps.

We maintain our call for a terminal depo rate of 1.5% by September. The risk of delay has reduced, while the risk of deeper cuts is up, including larger-than-25bp moves as early as June. The risk of a delay to the recalibration of rates higher, which we pencilled to start in December 2026. is up too.

June forecasts will be a key element of the policy path in our base case. We think these forecasts, with information up until today, will likely have medium-term inflation closer to 1.5% than 2%, clearly signalling the need for monetary policy to be accommodative.

It could have been a lot more uncomfortable

Without a 90-day pause on reciprocal tariffs, the ECB discussion next week would have probably been a lot more complicated. With many disinflationary forces unleashed at the same time, there would have been a lot of pressure, not only to cut, but probably also to provide firm guidance on the need to eventually stimulate the economy. That pressure is likely reduced, but not gone, ahead of next week's meeting.

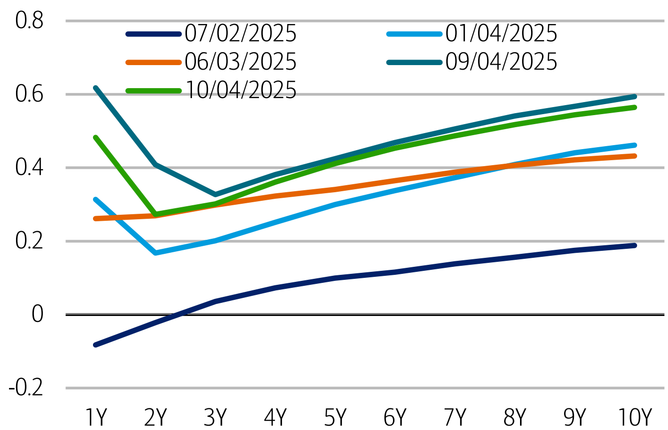
The economy now faces a weaker global backdrop: more tariffs (10% is still a big number), more persistent uncertainty than a meeting ago, a stronger currency, higher real rates (Exhibit 8), and a lot lower energy prices (Exhibit 9). A simple mark-to-market to today's energy prices could easily take 2026 below 1.5% in our forecasts, with periods well below that. Hence, the risk of an inflation undershoot will feature in the discussion, and the need to stimulate the economy too. But the pause in reciprocal tariffs reduces the sense of urgency the Governing Council will probably feel on clearly signalling that.

Some of the doves are likely to push for a clear explicit signal, but we don't think there will be a majority at this point. And the fact that some could still push for a pause is also a counterweight to that, typically leading to some form of less than desirable compromise. Still, we expect them to leave the door open to that possibility, even if implicitly, but we don't have a strong conviction on how they would do that (see below for potential options).

At the same time, with rates at the top of the ECB's range for neutral, there will be increasing pressure to drop the word 'restrictive' from the statement. We think even the doves won't strongly resist that given the discussion will now be shifting towards the need to accommodate. Some could see it as less costly to remove that reference. Hence, we think that, on the margin, that reference will go, although with low conviction. The hope would be that removing the reference, while leaving the door open to accommodate, could be as neutral in communication as it gets.

We would flag that given the amount of uncertainty, there is a very small residual risk of a pause.

Exhibit 8: Real yields are much higher than into the ECB March forecast
Euro area spot real yield curve (%)



Source: BofA Global Research, Bloomberg

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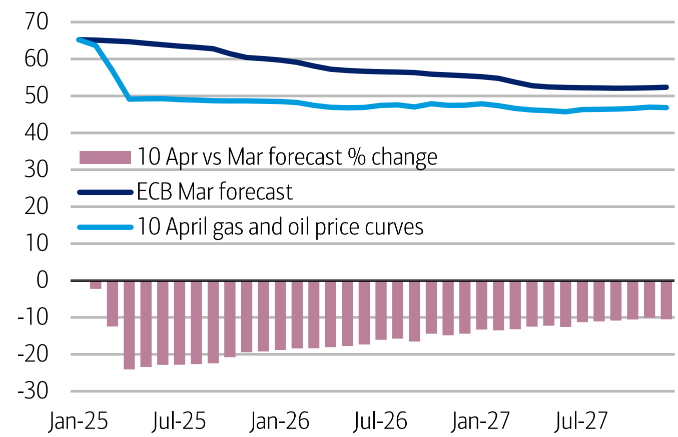
Exhibit 9: Synthetic energy prices have moved much lower
Weighted average of natural gas and Brent future curves (assuming constant EURUSD as conventional in ECB forecasts)



Source: BofA Global Research

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How to softly signal a need to accommodate

As argued above, we have low conviction on the exact shape and form of the signal that policy may need to become accommodative, eventually. The easiest, but too explicit, would be to argue that the risks of an inflation-target undershoot are now larger than those of an overshoot. An alternative, given Lagarde's refusal to say that the direction of travel was clear in March, would be to reinstate that signal again.

Alternatively, a more likely and implicit option would be to acknowledge that the risks to the inflation outlook are now tilted to the downside. Finally, Lagarde could easily acknowledge that there was a discussion on the eventual need to stimulate the economy, while flagging that the right time for that decision will more likely be with a new set of forecasts in June.

Indeed, we think the June forecasts will end up pushing the ECB in that direction. With information up until today, we think they will likely have medium-term inflation closer to

1.5% than 2%, forcing the way to clearly signalling the need for monetary policy to be accommodative.

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Rollercoaster

Risks of a large 50bps BoE May cut reduced from already low levels

The 90-day pause in reciprocal tariffs reduces global financial stability risks, which the BoE warned about before the pause was announced. This reduces the risk of a larger 50bps cut from the BoE in May (an idea which was discussed by Charlie Bean this week), from already low levels. The bar for a 50bps May cut was high even before the pause, given rising inflation and inflation expectations. But now risks of a financial shock and significant tightening of financial conditions that could have potentially prompted one has reduced and we continue to expect a 25bps cut in May.

Complete report: Europe Economic Weekly: We need a break, not a pause 11 April 2025

But growth risks still remain

However, this doesn't mean the economy is out of the woods. The tariff rate on the UK is unchanged at 10%, along with 25% on autos and steel. The direct hit to growth from the 10% baseline and sectoral tariffs is likely to be 20-25bps, with a potentially larger impact from softer global growth and higher uncertainty (potentially 30-40bps). Higher uncertainty and weaker confidence are likely to hit business investment and export-oriented manufacturing. The sectors most exposed to US final demand are chemicals/ pharma, transport equipment (mainly cars) and machinery and equipment.

We are likely to get the first signs of the tariff impact on sentiment in April PMIs and April consumer confidence, which would become increasingly important before the May meeting. Labour market data next week where we expect a small rise in unemployment rate to 4.5% and private wage growth elevated at 6.0% would also be key to see the state of the labour market before the tariff hit and rise in National Insurance contributions (NICs).

The UK is still working on a trade deal with the US but it looks like the expectation of the removal of 10% tariff is reducing, while talks are mainly focussed on trying to reduce the sectoral tariffs on autos.

We expect quarterly cuts but risks of faster cuts are rising

The BoE has so far judged that the impact of tariffs on UK inflation is ambiguous. We think that lower growth and potentially trade diversion away from the US/ cheap imports from other trading partners could end up eventually being disinflationary, especially given less appetite for the UK to retaliate.

The BoE has to balance weaker growth with the rise in inflation heading into Q2 due to the rise in National Insurance Contributions, energy and water bills. But the extent of the rise in inflation in Q2/Q3 could likely be reduced on the back of lower oil and gas prices and potential disinflationary impact of tariffs. This, along with weaker growth, should make the BoE less worried about second round effects compared to before.

We expect three quarterly cuts from the BoE this year and one next year to 3.5% by early 2026 in our base case. In our view the risk distribution has shifted from the BoE cutting less than our base case before the tariff announcement to potentially cutting faster than our quarterly cutting path. The shift is unlikely to be immediate though because we think the BoE will probably need to be cautious ahead of the NICs rise and wait for evidence of potential disinflationary impact of tariffs as well as extent of growth slowdown playing out in the data rather than pre-empting it.

Move in gilt yields threatens the Chancellor's limited headroom

Long end gilt yields surged higher this week in the midst of financial stress, some of which reversed following the pause announcement. The 10-year gilt yields are still ~20bps higher than what the OBR had in the Spring Statement. This along with emerging downside growth risks, increases risks of the headroom being reduced or eliminated. The OBR calculated that a 0.6pp rise in Bank Rate and gilt yield expectations across the forecast would eliminate current balance headroom of £9.9bn. The scope for fiscal policy to help ease the growth shock from tariffs meaningfully is limited, given the small headroom. If anything, the potential for the headroom being wiped out raises risks of fiscal consolidation in the Autumn.

Consumer Whisperer: Small fall

This section was previously published as our report: UK Viewpoint: Consumer Whisperer: Small fall 08 April 2025. That Viewpoint contains the Survey method charts, questions and full data tables.

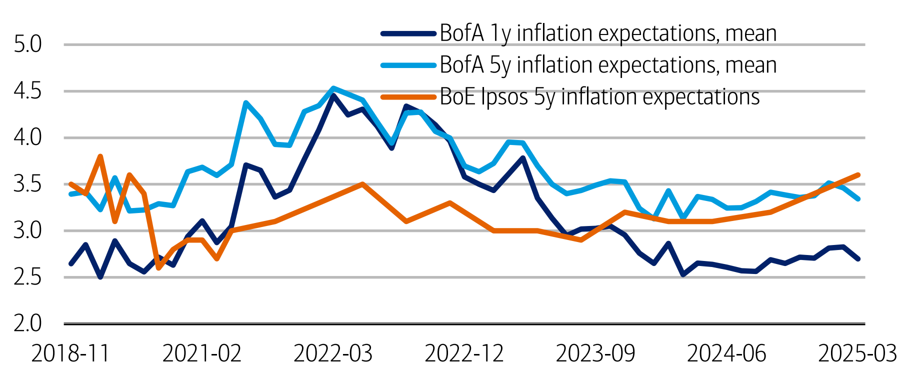
Confidence falls in March

Our proprietary consumer confidence indicator fell in March by 1.8 points., in contrast to the official GfK indicator (which rose by 1 point). All components worsened slightly except major purchase intentions. The biggest deterioration was seen in unemployment expectations which rose by 4.4 points but it's not yet consistent with a sharp labour market slowdown. Early data for April does not show a big deterioration in consumer sentiment or rise in inflation expectations so far post the US tariff announcements/ rise in NICs/ energy bills. We think there is scope for sentiment and consumer spending to catch up due to real wage growth, reduced drag from monetary policy and potential fall in savings rates. Having said that downside risks to growth has risen due to US tariffs as discussed in our report: Europe Economic Weekly: Status: it's (really) complicated 04 April 2025. Increased uncertainty is becoming more prevalent as a factor for higher UK savings but BoE rate cuts have the potential to incentivise less savings as we discussed in our report: UK Viewpoint: UK consumer: Saving up 27 February 2025.

Inflation expectations fell

1-year and 5-year ahead inflation expectations fell in March, with a 20bps fall in 5-year inflation expectations. Our BofA indicator is not seeing the rise in inflation expectations observed in the BoE survey- In Q1, BofA 5-year inflation expectations were flat at 3.4%, in contrast with BoE/Ipsos inflation expectations which rose by 20bps to 3.6% (Exhibit 10). Consumer expectations of the interest rate set by the BoE in one year's time was 3.3% in March, lower than 3.4% in February and 39% expect interest rates to be above 4% in a year. Households mortgage rate expectations fell from 4.0% to 3.8% in March.

Exhibit 10: 1y and 5y ahead inflation expectations
Our BofA indicator is not seeing the rise in inflation expectations observed in the BoE survey



Source: BofA Global Research

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Policy makers hint at room for cuts

Amid global uncertainties over Trump's tariffs, the PBoC is likely poised to cut the reserve requirement ratio (RRR), which the central bank had telegraphed but refrained from doing since September 2024, as well as the policy interest rate. In a *People's Daily* front-page commentary on April 7, policy makers signaled readiness to ease borrowing costs and reserve requirement ("interest rate and RRR can be cut anytime"). The official paper also indicated room for further expansion of the fiscal deficit, special treasury bonds and special debts for local governments.

Complete report:* *Asia Economic Weekly: China's monetary and fiscal policy, growth impact from tariffs on India 11 April 2025

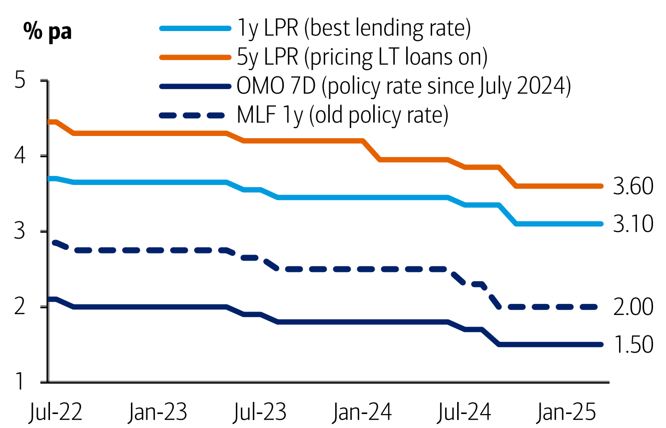
Expect an imminent RRR cut followed by two rate cuts

In our view, now would be an appropriate time to step up on policy easing. The tariff shock, though not yet fully materialized, has already clouded demand prospects.

We believe more monetary easing and fiscal stimulus are warranted to cushion the blow. Monetary easing may precede fiscal measures, in our view, since it takes time to expedite the pace of fiscal expenditure in the near term and approve new borrowing afterwards.

We expect an imminent RRR cut, and two 15bp policy interest rate (7d reverse repo) reductions to follow in 2Q25 and 3Q25, respectively.

Exhibit 11: China policy rate and best lending rate
China has not changed its policy rate since September 2024; we expect two 15bp rate cuts in 2Q and 3Q, respectively.



Source: PBoC, CEIC

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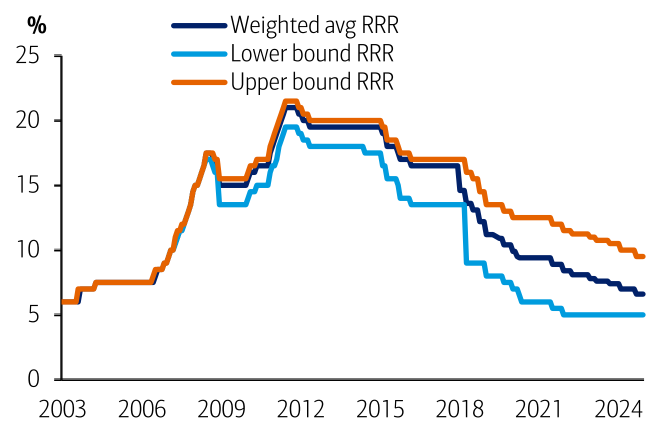
Exhibit 12: China RRR
We expect a reduction in RRR to happen anytime from now



Source: PBoC, Haver

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Constraints on timing and magnitude

We believe the PBoC is going to act swiftly, given that:

- Growth headwinds are intensifying, with US-China trade conflict escalation bringing US tariffs on Chinese imports to 104% (see report: 104%, and now what?)
- China's potential strategy of "Retaliate, Stimulate, Negotiate" (see report) suggests that the country is unlikely in a rush to make a deal with the US, lowering the priority of keeping a stable USDCNY and elevating the necessity of boosting domestic demand.

- PBoC operations this week suggest increasing tolerance for exchange rate flexibility, allowing the CNY fixing to drift gradually weaker.

We cannot rule out the PBoC cutting policy rates more aggressively than our forecasts, but the central bank still faces constraints.

- China still has to prevent a sharp depreciation of the CNY to stem capital outflows, to pass on the cost increase to the US, and to avoid competitive depreciation.

- the central bank has demonstrated resolve to protect banks' net interest margin (NIM) and safeguard financial stability.

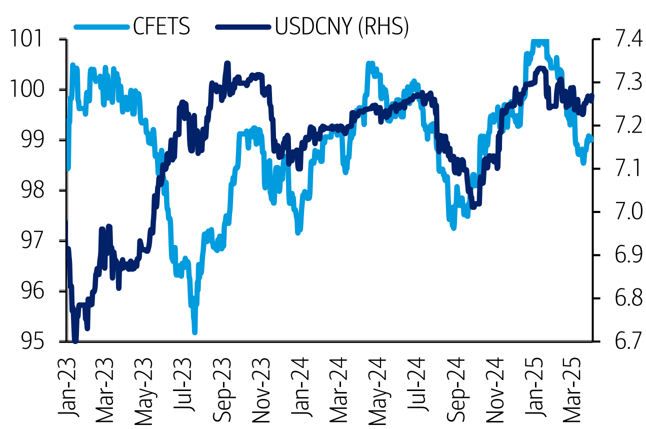
Potential Fed moves could open door for further easing

If the Fed were to embark on a rate-cutting cycle or to start quantitative easing, which could relieve the depreciation pressure, the PBoC's room to ease could expand:

- We believe the RRR could in theory be further reduced to 5%, the implicit floor the PBoC implied an implicit RRR floor of 5%.

- Cutting the policy interest rate is more complicated. Cutting the deposit rate further should not be a constraint at the first sight amid muted inflation and abundant liquidity, but an excessively low deposit rate could (1) encourage fund flows to the wealth management products (WMP), pushing the long-tenor treasury bond yield even lower and complicating the PBoC's target of safeguarding financial stability; (2) dampen return on savings in an economy dependent on indirect financing, and in turn squeeze household consumption. Meanwhile, compressing NIMs further would require injecting additional capital to banks, especially smaller lenders.

Exhibit 13: CNY against USD and a basket of currencies
China has kept currency stable against USD this year while allowing depreciation against a basket of currencies



Source: BofA Global Research, Bloomberg

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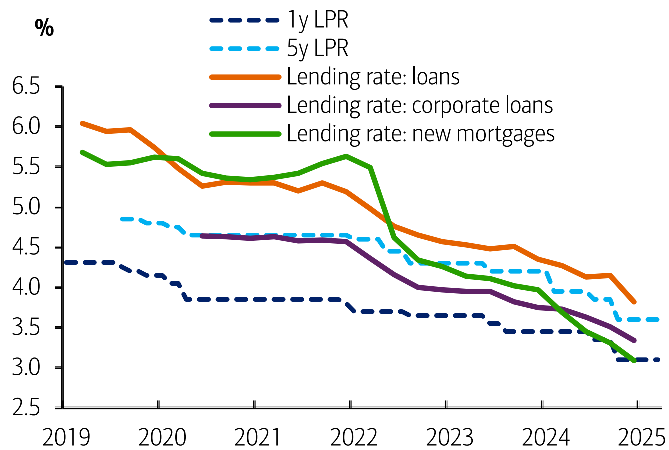
Exhibit 14: Average lending rate vs. best lending rate
Average rates on loans have declined more than the LPR



Source: BofA Global Research, CEIC, PBoC

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'Structural rate cut' likely to continue

Governor Pan's early-March comments reignited discussions about the potential for a 'structural rate cut', aimed at lowering the financing costs of the real economy without reducing headline policy rates. The PBoC could consider lowering the interest rates of targeted monetary policy tools and expand its usage (for e.g., to support exporters), in our view. The PBoC may also be guiding lower the interest rates of its liquidity tools, such as the MLF and ORR. That said, such an approach lacks the signaling impact and could not replace headline interest rate and RRR cuts.

Emerging EMEA

Tatonga Rusike
MLI (UK)

Falling oil prices? A more slippery slope for Angola than Nigeria

Complete report:* *Emerging Insight: Falling oil prices? A more slippery slope for Angola than Nigeria 08 April 2025

Exhibit 15: Angola Trade Sensitivity.
Lower oil price @60 would weaken trade balance by almost 6% of GDP, ceteris paribus.

Oil price	Sensitivity (as of GDP)	Current account balance
70	2.4%	1.6%
60	-5.9%	-4.3%

Source: BofA Global Research

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Exhibit 16: Nigeria Trade Sensitivity
Lower oil price @60 would widen trade balance by almost 2.4% of GDP, ceteris paribus.

Oil price	Sensitivity (as of GDP)	Current account balance
70	0.4%	7.1%
60	-2.4%	4.7%

Source: BofA Global Research

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Low oil price widens fiscal deficits for both countries

Angola's fiscal breakeven oil price averaged $70 between 2017 and 2021. In 2024, it was $95 and the country managed to post a small fiscal deficit. At $60 per barrel, the fiscal deficit would widen, in our view. Since its IMF program expired, Angola has deviated from a credible track record of adjusting spending in line with changes in international oil prices. Since 2022, its fiscal breakeven has been consistently higher than the average international oil price.

Angola lacks reform momentum

Angola carried out reforms under its IMF program (2018-21) but did not re-engage after it expired. President Joao Lourenco is in his second term and it is not yet clear who will be his successor in 2027. Opposition has become formidable, and the next elections could present a key risk. Fiscal reforms in Angola require a reduction of fuel subsidies and capital spending, and an increase in non-oil revenues.

Nigerian fiscal reforms could surprise positively

We estimate Nigeria's fiscal breakeven price at close to $140, which would keep its fiscal accounts in deficit. The 2024 fiscal accounts have been helped by devaluation, which have inflated oil-related revenues. As a result, the fiscal gap could be more modest.

Fiscal recommendations continue, helped by the Presidential Commission on Fiscal Policy & Tax Reforms, with the potential to increase revenue over a couple of years. Some measures include modernising and centralising the collection of major taxes, VAT on fuel products, and increasing the highest personal income tax rate to 25%.

Post subsidy removal, oil revenues could increase once the NNPC (Nigerian National Petroleum Company Ltd) has completed deducting amounts owed by FGN (the Federal Government). We understand the amounts owed have declined to under NGN2 trillion in 2025, from NGN8 trillion in 2024. The balances could be cleared by mid-year, providing upside to oil revenues. The Debt Management Office will likely come back to the Eurobond market in 2H, ahead of the November 2025 Eurobond maturity.

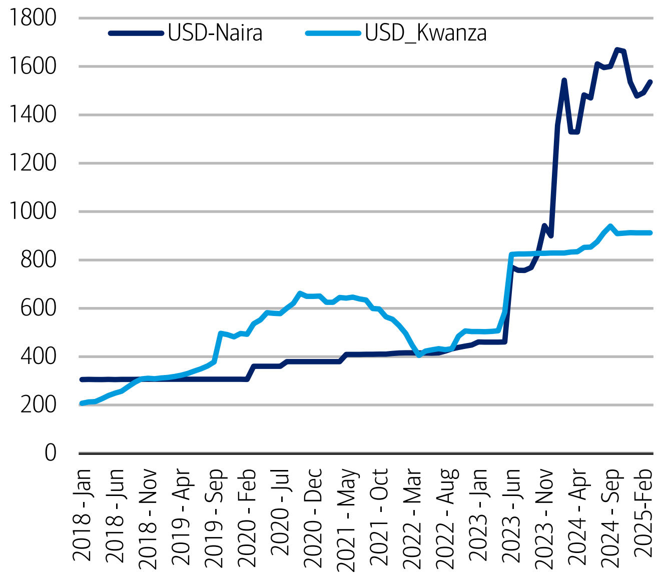
Low oil prices weaken producers' external balances

Oil prices averaged around $80 per barrel in 2024. We expect them to average $70 in 2025. From that baseline, we are estimating both Angola (1.6% of GDP) and Nigeria (7.1% of GDP) to be in current account surpluses in 2025. However, in a scenario of lower oil prices, e.g., $60 per barrel, Angola would switch into current account deficit (see Exhibit 15). In other words, the trade balance would weaken by almost 6% of GDP.

Nigeria remains in a current account surplus as shown in Exhibit 16. We assume that after massive import compression in 2024, imports will remain moderate. Domestic reforms could help keep imports contained; for instance, Dangote's domestic petroleum refinery reduces demand for oil-related imports. Discounting for Nigeria's large E&Os in the current account would eliminate the surplus, which would switch into a deficit, like Angola. That said, Nigeria has higher FX reserves and a lower external debt service burden than Angola.

Exhibit 17: Nominal Currency Changes

Angolan kwanza was more flexible during IMF program 2018-21. Appears more actively managed since 2022.



Source: Haver

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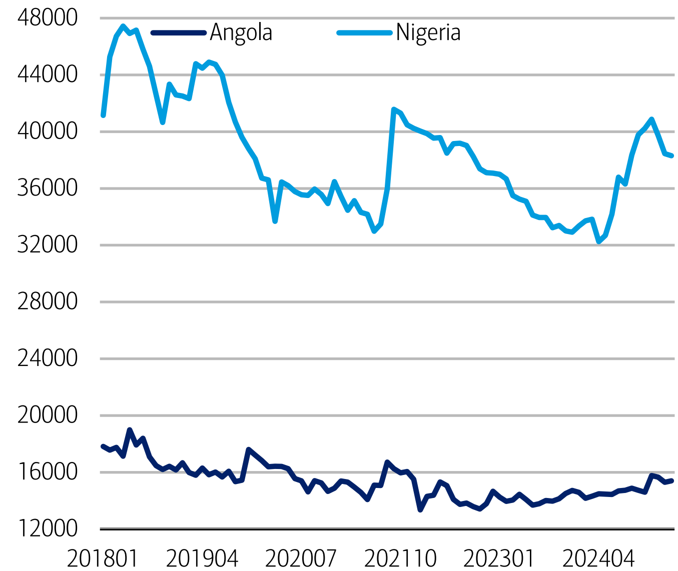
Exhibit 18: Gross FX Reserve Comparison (USD millions)

Nigeria has larger FX buffers than Angola. Even on a net basis, Nigeria remains higher than Angola.



Source: Haver

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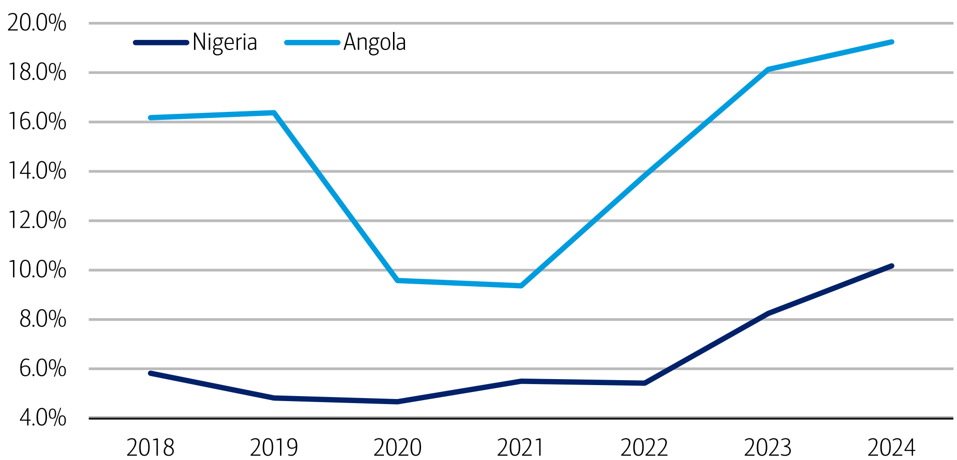
Exhibit 19: Ratio of External Debt Service to External Debt Stock

Angola's drop in debt service 2020-21 was due to debt service suspension granted by China.



Source: BofA Global Research

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Latin America

David Beker >>
Merrill Lynch (Brazil)

Gustavo Mendes
Merrill Lynch (Brazil)

Brazil – Investor trip notes: high carry attracting interest

We spent three days with investors in Brazil: one in Rio, one in Brasilia and one in São Paulo. This was the largest trip in terms of attendance in a while, with investors willing to get a grip on the ongoing macro developments and electoral prospects ahead. During the trip, we met with local hedge funds, government officials, SOEs, political and economic consultants. The overall short-term sentiment remains bearish but very high real rates are keeping things tied together and generate attractive levels for positions across Brazilian assets.

Complete report: ***Emerging Insight: Brazil – Investor trip notes: high carry attracting interest 06 April 2025***

First & Foremost: Fiscal

The fiscal situation in Brazil is seen as the Achilles heel of the country, as debt stabilization requires a close to 3.0% primary surplus to stabilize debt and the government is struggling to deliver a 0% deficit. In all the conversations we had, it was one of the first themes to pop up.

Debt stabilization: Sitting, Waiting, Wishing

We've heard from government officials that Brazil needs to focus on a fiscal consolidation, but no new big measures are expected in the near term. Expenditures have been surprising on the downside in the short-term as the budget took time to be approved (normally it is approved before the end of the year but this time was only approved in March). The market's view is that new measures could come in the next administration to address the ongoing increase in debt/GDP.

Elections: consensus is no consensus

Despite still being far away, much was debated about elections, as crucial fiscal reforms should only take place in the next administration. There is still a large degree of uncertainty on the outcome of the elections, given that candidates are not set in stone yet. For some consultants we talked to, Lula will secure a re-election, while for others this election will be a win for the right, even though the candidate is not defined yet. Both sides have low conviction and the electoral result should be a close call.

Political blind date: candidates not defined yet

On the left, odds that President Lula runs for reelection are high. In an eventual scenario that he decides not to run, there are still no strong names to succeed him besides the current Finance Minister, Fernando Haddad. On the right, the scenario is even more uncertain. The strongest candidate is former president Jair Bolsonaro, who has lost his political rights until 2030, and, thus, cannot run in 2026 elections. Nonetheless, he insists he will be the candidate for the right, and he has until 3 weeks before the first round of elections (mid-September) to remove his name from the ballot. The replacement options for him are Tarcisio de Freitas (the current governor of São Paulo State), who is more aligned with the market, or someone from Bolsonaro's family, such as Michelle Bolsonaro (wife) or Eduardo Bolsonaro (son), who are more aligned with the ideological right. There are other names in the right that could possibly run, such as Romeu Zema (Minas Gerais state governor), Ratinho Jr. (Paraná state governor) and Ronaldo Caiado (Goias state governor).

Fixing the fiscal is difficult challenge

A consensus opinion amongst the people we met is that a right wing win could bring a better fiscal outlook for Brazil in the coming years. However, there is a high political cost to address structural aspects of the Brazilian fiscal problem, as it encompasses delinking pensions and social benefits from the minimum wage and removing mandatory status from a wide range of expenses. Therefore, an elected right-wing candidate who does not have a high conviction that the Brazilian fiscal issue needs to be tackled, or who is elected by a close margin/with a fragmented Congress, may not be able to approve a structural (or at least long-lasting) solution for the fiscal.

Activity: growth may slip but not fall

In Brazil, 2023 and 2024 were strong years for activity. Fiscal expansion supported growth, as we had the Transition Constitutional Amendment (2.0% of GDP) in 2023 and the payment of court ordered debt (1.0% of GDP) in late 2023/early 2024. As rates have been contractionary since the end of the pandemic, and fiscal impulse subsided in 2H24 and 1Q25, we are seeing a slowdown in the economy. However, one of the few consensus views we came across during the trip is that the current administration will try to keep the economy from slowing down, especially before going into elections in 2026. The more bearish views foresee an increase in social benefits, such as Bolsa Família, as well as a change in the Fiscal Framework spending cap/primary target for 2026. More moderate opinions do not see a change in fiscal targets and still do not know which measures will be taken, but they bet in actions alike the private sector payroll loans and access to severance fund (FGTS) resources.

Inflation & Rates: coming down? Not so fast

While most of the people we met agree that activity stimulus should continue, their view on inflationary impacts differ. On the more bearish side, we heard inflation could reach 7.0% in 2026, due to renewed fiscal stimulus, on the other hand more bullish players have expectations in line with consensus (around 5.60% for 25YE and 4.50% for 26YE), as a good harvest and stable BRL could contribute to reduce inflation. Another point of convergence among the people we met is that BCB will not hike north of 15.50%, instead it will rely on a higher for longer strategy. For some, this represented lenience with the government's fiscal expansion, while for others hiking above this level is counterproductive as 54.6% of the Brazilian gross debt is linked to Selic. Most people we heard only see cuts in the Selic in the beginning of 2026.

External sector to the rescue?

Despite the challenging domestic backdrop, a favorable external scenario could pave a less erratic road until the 2026 elections. In a few meetings, we heard that a weaker dollar and lower FED funds combined with higher commodity prices could support lower inflation and stronger activity in Brazil. This combination would decrease the government's urgency to employ policies to increase its popularity, leading to a more favorable debt, inflation and rates outlook in the short-term. This scenario would also reduce noise, which would be positive for Brazilian assets.

Key forecasts

Exhibit 20: Economic forecasts

GDP growth, inflation and policy rate forecasts for the major economies

Economic forecasts

	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4	2024F	2025F	2026F
Global and Regional Aggregates, %											
United States											
Real GDP growth [1]	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.8	2.1	2.0
CPI inflation	2.7	2.7	3.1	2.8	2.5	2.5	2.3	2.3	3.0	2.8	2.4
Policy Rate (EoP)	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38	4.38
Euro area											
Real GDP growth [1]	0.7	0.8	0.8	0.9	1.1	1.2	1.2	1.4	0.8	0.9	1.1
CPI inflation	2.3	1.8	1.7	1.5	1.2	1.6	1.7	1.7	2.4	1.8	1.6
Policy Rate (EoP)	2.50	2.00	1.50	1.50	1.50	1.50	1.50	1.75	3.00	1.50	1.75
China											
Real GDP growth [2]	5.1	4.5	4.3	4.1	4.2	4.9	4.7	4.2	5.0	4.5	4.5
CPI inflation [3]	0.1	0.0	0.0	0.7	1.1	1.1	1.0	0.9	0.2	0.2	0.9
Policy Rate (EoP)	3.10	2.90	2.70	2.70	2.70	2.70	2.70	2.70	3.10	2.70	2.70
Japan											
Real GDP growth [1]	-0.3	0.7	0.8	0.5	0.6	0.4	0.7	0.5	0.1	1.1	0.6
CPI inflation	4.1	3.7	3.4	3.0	2.1	2.1	2.3	2.1	2.7	3.5	2.1
Policy Rate (EoP)	0.50	0.75	0.75	1.00	1.00	1.00	1.25	1.25	0.25	1.00	1.25
Global Aggregate [4]											
Real GDP growth									3.2	3.1	3.2
CPI inflation									3.1	2.7	2.7
Policy Rate (EoP)									4.8	4.3	4.1
Emerging Markets Aggregate [4]											
Real GDP growth									4.3	4.2	4.3
Real GDP growth (ex-China)									3.8	4.0	4.3
CPI inflation									3.5	2.8	3.1
Policy Rate (EoP)									5.9	5.3	4.9

Notes: 1. Quarterly values are % q/q annualized | 2. Quarterly values are % y/y. | 3. Quarterly values are period averages. | 4. Due to reporting limitations, Global and EM aggregate are annual only.

Source: BofA Global Research

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Exhibit 21: Markets forecasts

Forecasts for FX, interest rates, commodities and equities

Markets forecasts

	spot	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2	2026Q3	2026Q4
Exchange Rates (EoP)								
EUR/USD	1.12	1.10	1.12	1.15	1.15	1.17	1.18	1.20
USD/JPY	143.8	156	161	165	162	160	160	160
USD/CNY	7.32	7.70	7.40	7.30	7.30	7.20	7.20	7.00
GBP/USD	1.30	1.34	1.38	1.44	1.44	1.48	1.51	1.56
Interest rates (% EoP)								
US 10yr	4.42	4.30	4.40	4.50	4.55			4.75
Bunds 10yr	2.58	2.20	1.95	2.05	2.05			2.00
Japan 10yr	1.35	1.50	1.50	1.65	1.65	1.75	1.95	2.00
Commodities [1]								
Oil - Brent ($/bbl)	63.3	69.0	68.0	69.0	71.0	73.0	75.0	73.0
Oil - WTI ($/bbl)	59.9	65.0	64.0	65.0	67.0	69.0	71.0	69.0
Gold ($/oz)	3188.6	2900	3200	3300	3400	3400	3300	3300
Equities (EoP)								
S&P 500	5268			6666				
Stoxx 600	487			500				

Notes: 1. All values are EoP, except for gold forecasts, which are period averages.

Source: BofA Global Research

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Detailed forecasts

Global economic forecasts

Exhibit 22: Global Economic Forecasts

Global GDP growth expected at 3.1% in 2025 and 3.2% in 2026

	GDP growth, %				CPI inflation*, %				Short term interest rates**, %			
	2023	2024	2025F	2026F	2023	2024	2025F	2026F	Current	2024	2025F	2026F
Global and regional aggregates												
Global	3.3	3.2	3.1	3.2	4.3	3.1	2.7	2.7	5.44	4.83	4.29	4.12
Global ex US	3.4	3.3	3.3	3.5	4.3	3.2	2.7	2.7	5.68	4.93	4.27	4.06
Global ex China	2.7	2.7	2.7	2.9	5.5	3.9	3.5	3.2	6.09	5.35	4.77	4.55
Developed Markets	1.6	1.6	1.5	1.5	4.7	2.6	2.5	2.1	3.22	3.46	2.93	3.00
Emerging Markets	4.5	4.3	4.2	4.3	4.0	3.5	2.8	3.1	7.17	5.85	5.27	4.90
Emerging Markets ex China	4.0	3.8	4.0	4.3	6.4	5.5	4.6	4.5	9.68	7.67	6.98	6.36
Europe, Middle East and Africa (EMEA)	1.0	1.3	1.7	2.1	7.7	5.4	4.1	3.2	8.11	5.82	4.54	4.21
European Union	0.5	1.0	1.3	1.6	6.3	2.6	2.2	1.8	2.84	3.29	1.96	2.09
Emerging EMEA	2.3	2.2	3.0	3.6	12.9	12.8	9.2	6.7	18.11	11.88	10.61	9.10
Emerging Asia	5.4	5.2	4.8	4.9	2.1	1.8	1.5	2.3	3.88	4.12	3.59	3.59
ASEAN	4.1	4.9	4.7	4.8	3.5	2.6	2.3	2.6	4.52	4.75	4.36	4.33
Latin America	2.1	2.1	2.1	2.1	5.7	4.3	4.4	4.0	10.62	9.98	10.05	8.66
G6												
US	2.9	2.8	2.1	2.0	4.1	3.0	2.8	2.4	4.38	4.38	4.38	4.38
Euro area	0.4	0.8	0.9	1.1	5.4	2.4	1.8	1.6	2.50	3.00	1.50	1.75
Japan	1.7	0.1	1.1	0.6	3.3	2.2	3.5	2.1	0.50	0.25	1.00	1.25
UK	0.3	0.9	1.4	1.4	7.3	2.6	3.1	2.2	4.50	4.75	3.75	3.50
Canada	1.2	1.5	1.5	2.0	3.9	2.4	2.4	2.0	2.75	3.25	2.50	2.50
Australia	2.0	1.0	1.9	2.0	5.6	3.3	2.9	2.9	4.10	4.35	3.60	3.35
Euro area												
Germany	-0.3	-0.2	0.1	0.8	6.0	2.4	2.1	1.5	2.50	3.00	1.50	1.75
France	1.1	1.1	0.5	0.9	5.7	2.3	1.6	1.6	2.50	3.00	1.50	1.75
Italy	0.7	0.5	0.6	0.9	5.9	1.3	1.7	1.5	2.50	3.00	1.50	1.75
Spain	2.7	3.2	2.3	1.6	3.4	2.8	1.5	1.7	2.50	3.00	1.50	1.75
Netherlands	0.1	0.9	1.7	1.4	4.1	3.2	2.9	1.9	2.50	3.00	1.50	1.75
Belgium	1.4	1.0	1.1	1.2	2.3	4.3	3.6	1.8	2.50	3.00	1.50	1.75
Austria	-0.8	-1.5	0.2	1.1	7.7	3.0	3.3	1.9	2.50	3.00	1.50	1.75
Greece	2.0	2.3	1.9	1.9	4.2	2.9	1.9	1.9	2.50	3.00	1.50	1.75
Portugal	2.3	1.9	2.5	1.7	5.3	2.5	1.6	1.7	2.50	3.00	1.50	1.75
Ireland	-5.5	-0.7	4.0	2.1	5.2	1.7	1.5	1.6	2.50	3.00	1.50	1.75
Finland	-1.2	-0.2	0.7	1.3	4.3	1.2	1.7	1.3	2.50	3.00	1.50	1.75
Other developed economies												
New Zealand	0.6	-0.2	1.4	2.8	5.7	2.7	2.3	2.1	3.50	4.25	2.50	2.50
Switzerland	0.7	1.3	1.1	1.4	2.1	1.3	0.4	0.7	-0.75	0.75	0.50	0.50
Norway	0.5	0.6	1.2	1.5	5.5	3.3	2.4	2.2	4.50	4.50	4.00	3.50
Sweden	-0.2	0.5	1.5	1.8	5.9	2.1	2.0	1.6	2.25	2.50	2.00	1.50
Emerging Asia												
China	5.3	5.0	4.5	4.5	0.2	0.4	0.2	0.9	3.10	3.10	2.70	2.70
India	8.2	6.5	6.6	6.8	5.4	4.4	3.9	5.4	6.00	6.50	5.50	5.50
Indonesia	5.0	5.0	5.1	5.3	3.7	2.5	2.1	2.7	5.75	6.00	5.50	5.50
Korea	1.4	2.0	1.5	2.0	3.6	2.5	1.8	2.0	2.75	3.00	2.25	2.25
Taiwan	1.3	4.6	3.3	2.6	2.5	2.1	1.9	1.8	2.00	2.00	2.00	2.00
Thailand	1.9	2.5	2.3	2.4	1.2	0.5	0.7	0.8	2.00	2.25	1.50	1.25
Malaysia	3.6	4.9	4.7	4.7	2.5	2.8	2.5	2.7	3.00	3.00	3.00	3.00
Philippines	5.5	5.7	5.9	5.8	6.0	3.3	3.3	3.5	5.50	5.75	5.25	5.25
Singapore	1.1	4.4	2.0	2.0	4.8	2.6	1.2	1.6				
Hong Kong	3.3	2.5	2.0	2.4	2.1	1.8	1.9	1.9	3.80	4.75	4.25	4.25
Vietnam	5.0	6.7	6.8	6.8	3.3	4.1	4.1	4.0	4.50	4.50	4.50	4.50

Source: BofA Global Research

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Exhibit 23: Global Economic Forecasts (continued)
Global GDP growth expected at 3.1% in 2025 and 3.2% in 2026

	GDP growth, %				CPI inflation*, %				Short term interest rates**, %			
	2023	2024	2025F	2026F	2023	2024	2025F	2026F	Current	2024	2025F	2026F
Latin America												
Brazil	2.9	3.4	2.0	1.6	4.6	4.3	5.6	4.5	14.25	12.25	14.25	11.25
Mexico	3.3	1.2	0.0	1.4	5.5	4.7	3.7	4.4	9.00	10.00	8.00	8.00
Argentina	-1.6	-1.7	5.0	3.5	133.5	229.8	38.5	21.9	29.00	32.00	29.00	25.00
Colombia	0.6	1.7	2.6	2.8	11.7	6.7	4.8	3.5	9.50	9.50	8.00	7.00
Chile	0.2	2.6	2.5	1.7	7.6	3.9	4.4	3.7	5.00	5.00	5.00	4.50
Peru	-0.6	3.3	3.1	2.8	6.3	2.5	1.8	2.4	4.75	5.00	4.50	4.50
Ecuador	2.4	-1.5	2.0	2.3	2.2	1.9	1.8	1.8				
Uruguay	0.4	3.5	2.5	2.0	5.9	4.9	4.7	4.7				
Costa Rica	5.1	4.3	3.8	3.9	0.5	-0.3	2.0	3.0	4.00	4.00	4.00	4.00
Dominican Republic	2.4	5.0	4.0	4.5	4.8	3.4	4.1	3.9	5.75	5.75	5.75	5.75
Panama	7.3	2.9	3.9	3.8	1.5	1.3	1.3	1.7				
El Salvador	3.5	2.4	3.0	3.0	4.0	1.0	0.9	1.6				
Guatemala	3.5	3.7	4.0	4.0	6.2	3.6	3.9	3.0	4.50	4.50	4.50	4.50
EEMEA												
Türkiye	5.1	3.2	2.4	4.2	53.9	60.9	34.8	20.8	42.50	47.50	32.50	22.00
Nigeria	2.9	2.6	3.2	3.0	24.7	32.5	26.0	18.0	27.50	27.75	26.00	24.00
Egypt	3.8	2.4	4.0	4.0	24.4	33.3	19.0	13.0	27.75	27.25	23.25	17.25
Poland	0.2	2.8	3.6	3.6	11.4	3.9	4.3	2.9	5.75	5.75	4.50	4.00
South Africa	0.7	0.6	1.4	1.8	5.9	4.7	3.9	4.6	7.50	7.75	7.50	7.25
Romania	2.1	0.9	1.8	3.3	10.4	5.3	4.4	3.3	6.50	6.50	6.00	5.50
Czech Republic	-0.1	1.0	2.1	2.7	10.7	2.3	2.4	2.0	3.75	4.00	3.50	3.00
Israel	2.0	0.9	3.6	4.2	4.2	3.1	2.9	2.4	4.50	4.50	4.00	3.25
Hungary	-0.9	0.6	2.5	3.2	17.1	3.8	4.8	3.5	6.50	6.50	6.50	6.50
Saudi Arabia	-0.8	1.3	3.4	3.2	2.3	1.7	1.9	2.0	4.50	5.00	5.00	5.00
Ukraine	5.3	3.5	3.5	7.0	12.9	5.8	7.5	5.0	15.50	13.50	13.00	13.00

Source: BofA Global Research

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Exhibit 24: Real GDP growth, qoq annualized %
Global GDP growth expected at 3.1% in 2025

	1Q 2025	2Q 2025	3Q 2025	4Q 2025	1Q 2026	2Q 2026	3Q 2026	4Q 2026	2024	2025	2026
Developed Markets											
US	1.5	1.5	2.0	2.0	2.0	2.0	2.0	2.0	2.8	2.1	2.0
Euro area	0.7	0.8	0.8	0.9	1.1	1.2	1.2	1.4	0.8	0.9	1.1
Japan	-0.3	0.7	0.8	0.5	0.6	0.4	0.7	0.5	0.1	1.1	0.6
UK	1.8	1.8	2.3	1.8	1.2	0.8	1.4	1.4	0.9	1.4	1.4
Canada	1.5	0.1	1.0	1.4	2.2	2.6	2.8	3.0	1.5	1.5	2.0
Australia	-	-	-	-	-	-	-	-	1.0	1.9	2.0
G6 Aggregate	1.0	1.1	1.4	1.4	1.5	1.5	1.6	1.6	1.6	1.5	1.5
Emerging Markets											
China	4.8	1.5	4.5	5.5	5.3	4.5	3.5	3.5	5.0	4.5	4.5
India	2.7	11.0	2.8	10.8	1.5	13.2	2.7	10.9	6.5	6.6	6.8
Indonesia	5.7	5.7	3.6	5.3	6.1	5.7	4.1	5.3	5.0	5.1	5.3
Korea, Republic Of (South)	1.5	2.5	2.9	2.9	0.7	1.8	1.9	3.1	2.0	1.5	2.0
Thailand	1.3	2.0	1.5	1.4	2.9	1.9	3.3	4.0	2.5	2.3	2.4
Singapore	2.8	2.8	3.0	3.2	2.4	2.4	2.4	2.0	4.4	2.0	2.0
Hong Kong	1.9	3.7	1.4	3.1	2.6	2.0	2.1	1.4	2.5	2.0	2.4
Brazil	2.9	2.3	1.7	1.2	1.9	0.8	1.4	1.9	3.4	2.0	1.6
Mexico	-2.2	1.3	1.6	1.5	1.4	1.4	1.4	1.3	1.2	0.0	1.4
Colombia	2.8	2.8	3.2	3.2	1.2	2.8	4.1	4.1	1.7	2.6	2.8
Chile	4.3	0.9	1.7	1.8	1.8	1.8	1.8	1.8	2.6	2.5	1.7
Peru	2.8	2.7	2.8	2.4	2.5	2.4	4.1	4.6	3.3	3.1	2.8
Türkiye	0.9	3.0	2.3	2.2	15.1	-2.2	1.2	1.1	3.2	2.4	4.2
South Africa	1.6	1.7	1.4	1.6	1.8	2.0	2.0	2.0	0.6	1.4	1.8

Source: BofA Global Research

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Monetary policy forecasts

Exhibit 25: Monetary Policy rate path
End of period (%)

Central Banks	Current	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25
Developed Markets										
Fed (upper bound)	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
ECB (deposit rate)	2.50	2.25	2.25	2.00	1.75	1.75	1.50	1.50	1.50	1.50
BoJ	0.50	0.50	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75
BoE	4.50	4.50	4.25	4.25	4.25	4.00	4.00	4.00	3.75	3.75
BoC	2.75	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Riksbank	2.25	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	1.75
SNB	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Norges Bank	4.50	4.25	4.25	4.00	4.00	4.00	3.75	3.75	3.75	3.50
RBA	4.10	4.10	3.85	3.85	3.85	3.85	3.85	3.85	3.60	3.60
RBNZ	3.50	3.50	3.25	3.25	3.00	2.75	2.75	2.75	2.50	2.50
Emerging Asia										
China (lending rate)	3.10	2.95	2.95	2.70	2.70	2.70	2.70	2.70	2.70	2.70
7d reverse repo*	1.50	1.40	1.40	1.20	1.20	1.20	1.20	1.20	1.20	1.20
India	6.00	6.00	6.00	6.00	6.00	5.75	5.75	5.50	5.50	5.50
Indonesia	5.75	5.50	5.50	5.25	5.25	5.25	5.25	5.25	5.25	5.25
South Korea	2.75	2.75	2.75	2.75	2.75	2.50	2.50	2.50	2.50	2.50
Taiwan	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Thailand	2.00	2.25	2.25	2.25	2.25	2.00	2.00	1.75	1.75	1.75
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Philippines	5.50	5.50	5.50	5.25	5.25	5.25	5.00	5.00	5.00	5.00
Latin America										
Brazil	14.25	14.25	14.75	15.25	15.25	15.25	15.25	15.25	15.25	15.25
Chile	5.00	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Colombia	9.50	7.75	7.75	7.50	7.25	7.25	7.00	6.75	6.75	6.50
Mexico	9.00	9.00	8.50	8.25	8.25	8.00	8.00	8.00	8.00	8.00
Peru	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
Emerging EMEA										
Czech Republic	3.75	3.50	3.25	3.25	3.25	3.00	3.00	3.00	3.00	3.00
Hungary	6.50	6.25	6.00	6.00	5.75	5.75	5.50	5.50	5.50	5.50
Israel	4.50	4.50	4.50	4.50	4.25	4.25	4.25	4.00	4.00	4.00
Poland	5.75	5.50	5.50	5.25	5.25	5.25	5.00	5.00	4.75	4.75
Romania	6.50	6.00	5.75	5.75	5.50	5.50	5.50	5.50	5.50	5.50
South Africa	7.50	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25	7.25
Türkiye	42.50	40.00	37.50	36.00	35.00	34.00	33.00	32.00	32.00	30.00

Source: BofA Global Research, Bloomberg. Note: *Major five banks. **Reverse repo rate.

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FX, rates and commodity forecasts

Exhibit 26: Quarterly forecasts

End of period

	Spot	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
FX forecasts								
G6								
EUR-USD	1.12	1.10	1.12	1.15	1.15	1.17	1.18	1.20
USD-JPY	144	156	161	165	162	160	160	160
EUR-JPY	162	172	180	190	186	187	189	192
GBP-USD	1.30	1.34	1.38	1.44	1.44	1.48	1.51	1.56
USD-CAD	1.40	1.44	1.42	1.40	1.37	1.35	1.35	1.35
AUD-USD	0.62	0.63	0.65	0.68	0.69	0.69	0.71	0.71
Asia								
USD-CNY	7.32	7.70	7.40	7.30	7.30	7.20	7.20	7.00
USD-INR	86.7	88.0	87.5	87.0	86.0	86.0	86.0	86.0
USD-IDR	16800	16700	16600	16500	16500	16400	16400	16300
USD-KRW	1457	1450	1430	1410	1390	1370	1350	1330
Latin America								
USD-BRL	5.89	5.75	5.75	5.75	5.85	5.90	5.95	6.00
USD-MXN	20.61	20.00	20.25	20.50	21.00	21.50	21.75	22.00
Emerging Europe								
EUR-PLN	4.26	4.18	4.12	4.05	4.05	4.05	4.05	4.05
USD-TRY	38.04	40.00	41.00	42.00	43.50	44.50	45.50	47.00
USD-ZAR	19.49	18.10	17.80	17.50	17.30	17.10	17.00	17.00
Rates forecasts								
2yr								
US 2-year	3.86	4.00	4.00	4.00	4.05	4.10		4.25
Germany 2-year	1.79	2.10	1.85	1.95	2.05			2.20
Japan 2-year	0.67	1.05	1.08	1.30	1.30	1.40	1.60	1.65
UK 2-year	3.90	4.00	3.70	3.55	3.55	3.55	3.55	3.55
Canada 2-year	2.63	2.50	2.50	2.50	2.50	2.50		2.50
10yr								
US 10-year	4.42	4.30	4.40	4.50	4.55	4.60		4.75
Germany 10-year	2.58	2.75	2.50	2.60	2.65			2.75
Japan 10-year	1.35	1.50	1.50	1.65	1.65	1.75	1.95	2.00
UK 10-year	4.64	4.75	4.70	4.65	4.65	4.65	4.65	4.65
Canada 10-year	3.24	3.00	3.05	3.10	3.15	3.20		3.30
Commodities forecasts								
WTI Crude Oil - $/bbl	60.0	65.0	64.0	65.0	67.0	69.0	71.0	69.0
Brent Crude Oil - $/bbl	63.3	69.0	68.0	69.0	71.0	73.0	75.0	73.0
Gold $/oz	3189	2900	3200	3300	3400	3400	3300	3300

Note: Spot exchange rate as of day of publishing. The left of the currency pair is the denominator of the exchange rate. Currency forecasts are for end of period.

Source: BofA Global Research, Bloomberg.

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