

11 March 2022

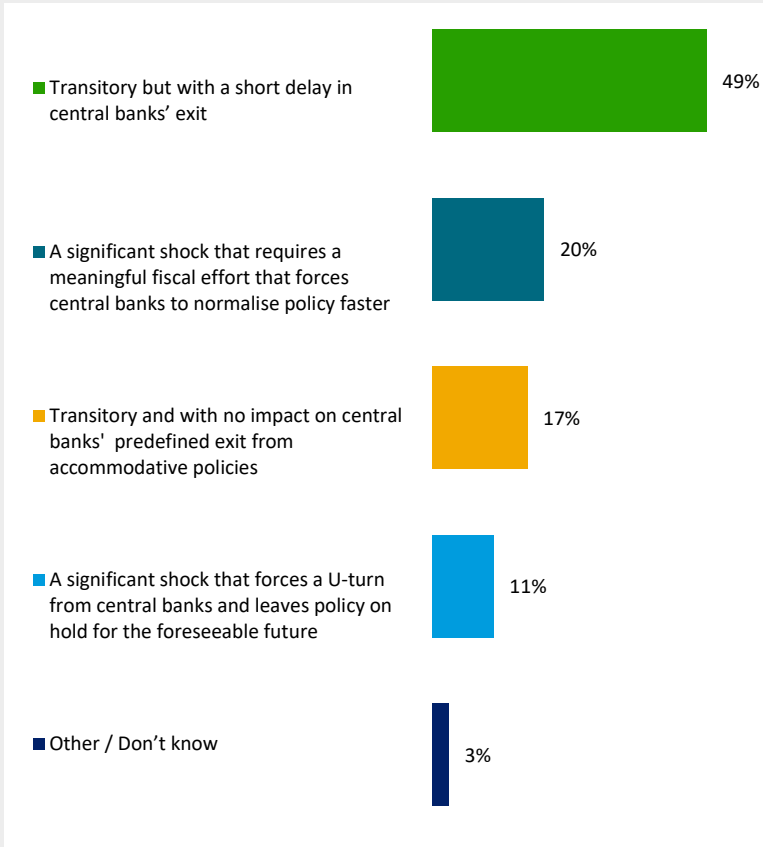
EMEA FICC Trading

ECB Bond Market Contact Group

Internal contradiction: only short term cost, but also paradigm shift

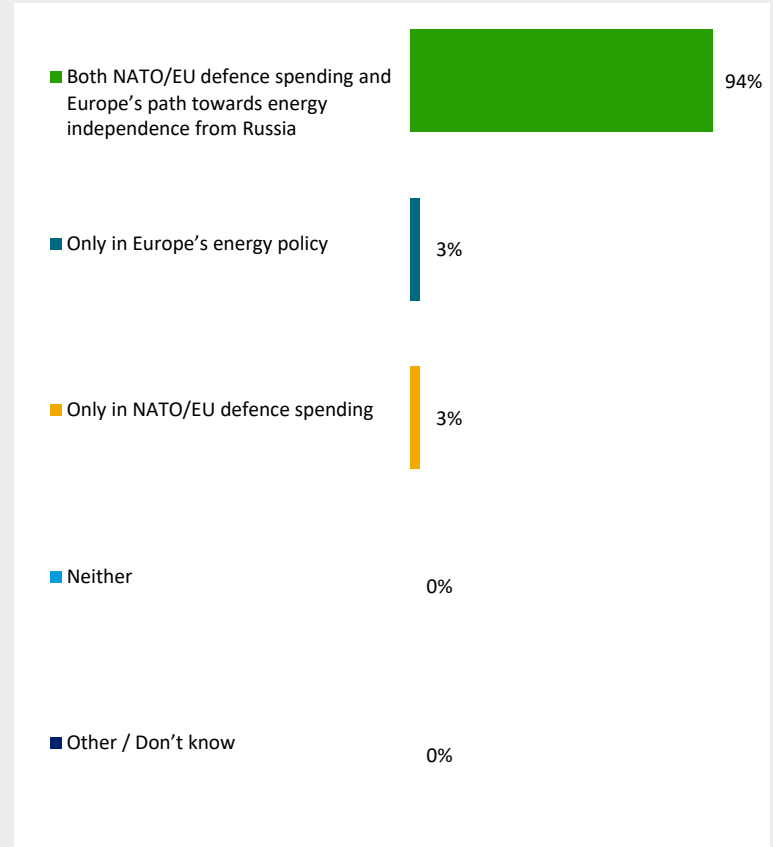


Economic consequences from the Russia-Ukraine conflict are:



Source: BofA Global Research FX and Rates Sentiment Survey March 2022

The Russia - Ukraine conflict will see a paradigm shift in:

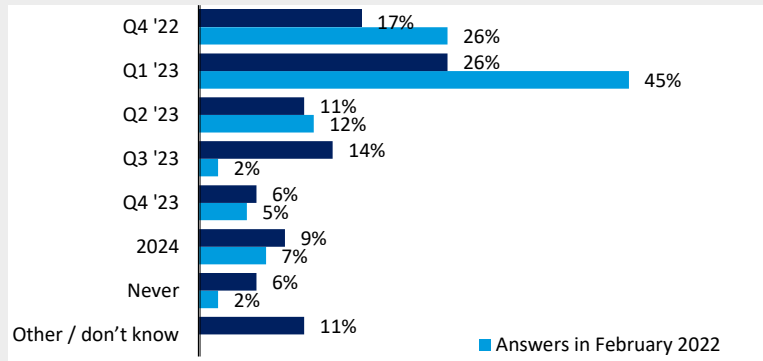


Source: BofA Global Research FX and Rates Sentiment Survey March 2022



Market expected dovish ECB, but even so remains cautious on periphery

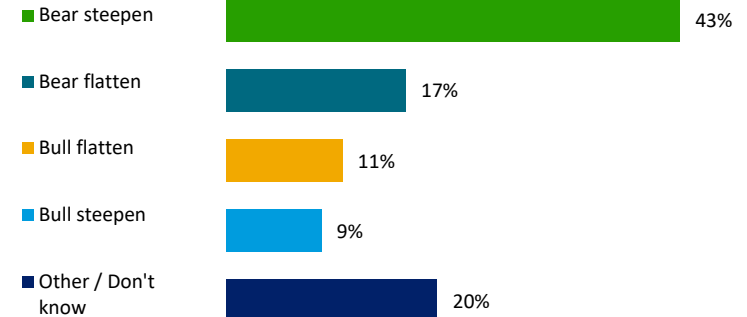
When do you expect ECB to exit NIRP Market had shifted more dovish pre ECB



Source: BofA Global Research FX and Rates Sentiment Survey March 2022

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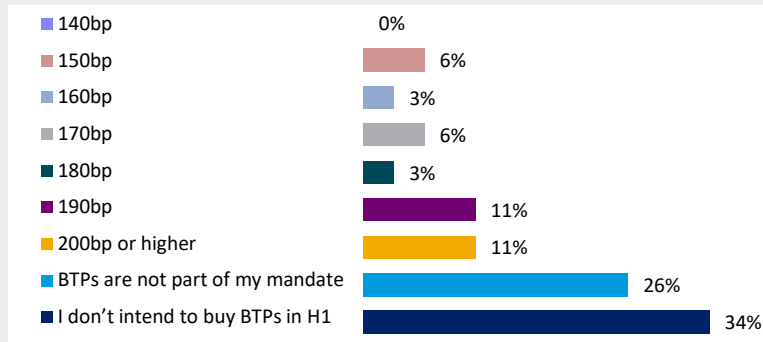
In light of the EU reaction to the Ukraine conflict, I think the EGB rates curve will: Steeper curves remain consensus



Source: BofA Global Research FX and Rates Sentiment Survey March 2022

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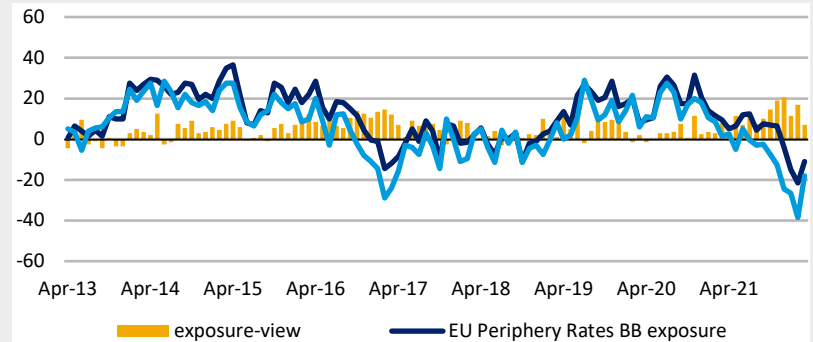
I would buy/add BTPs in H1 at a spread to Bunds above: Still no love for BTPs



Source: BofA Global Research FX and Rates Sentiment Survey March 2022

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Duration exposure and view: Peripheral Europe Periphery shorts reduced at the margin



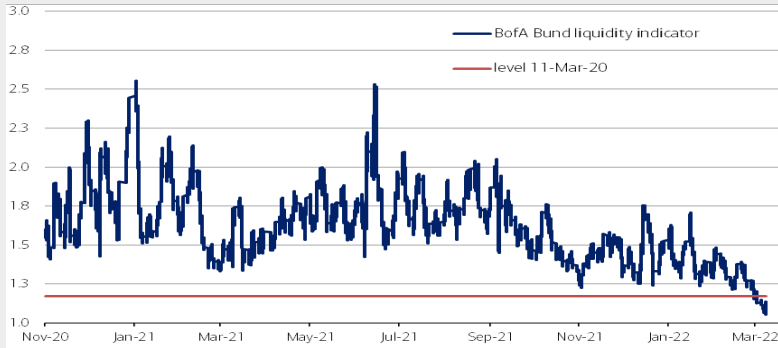
Source: BofA Global Research FX and Rates Sentiment Survey March 2022, BB is the Bull-Bear Index for exposure and view. It weights responses to create an index ranging from -100 to +100, with zero representing neutral

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Liquidity deteriorates, risk asset outflows and FTQ inflows accelerate

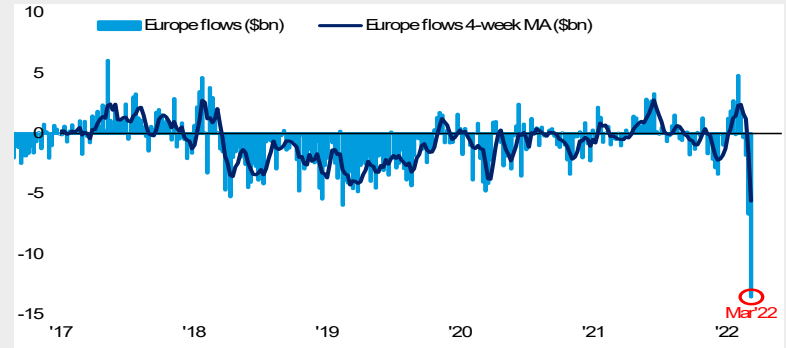
Bund Future liquidity Worse than March 2020



Source: BofA Global Research

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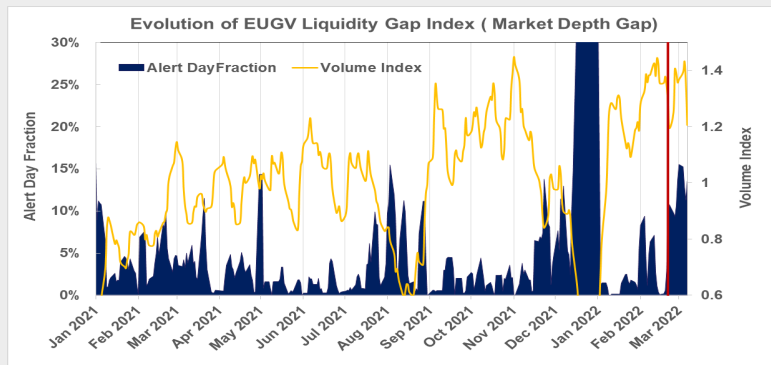
Record outflows from European equities



Source: BofA Global Investment Strategy, EPFR, 11 March 2022

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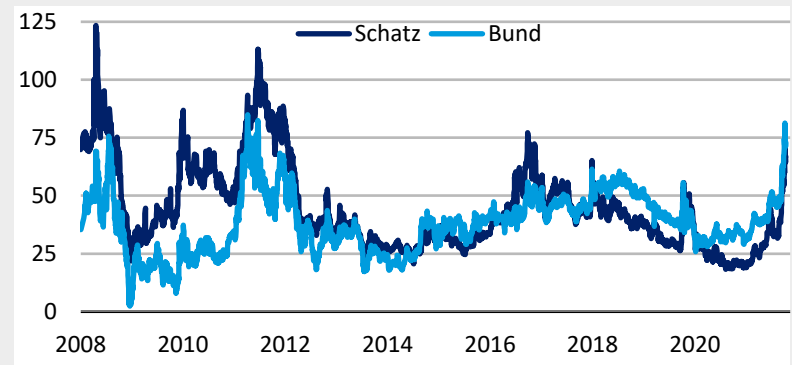
EUGV liquidity gap index (market depth gap) Longest run of choppy but active markets since Jan 2021



Source: BofA EMEA FICC Trading

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ASW spreads at extremes Collateral shortage meeting historic underweights



Source: BofA Global Research

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