

11 March 2022

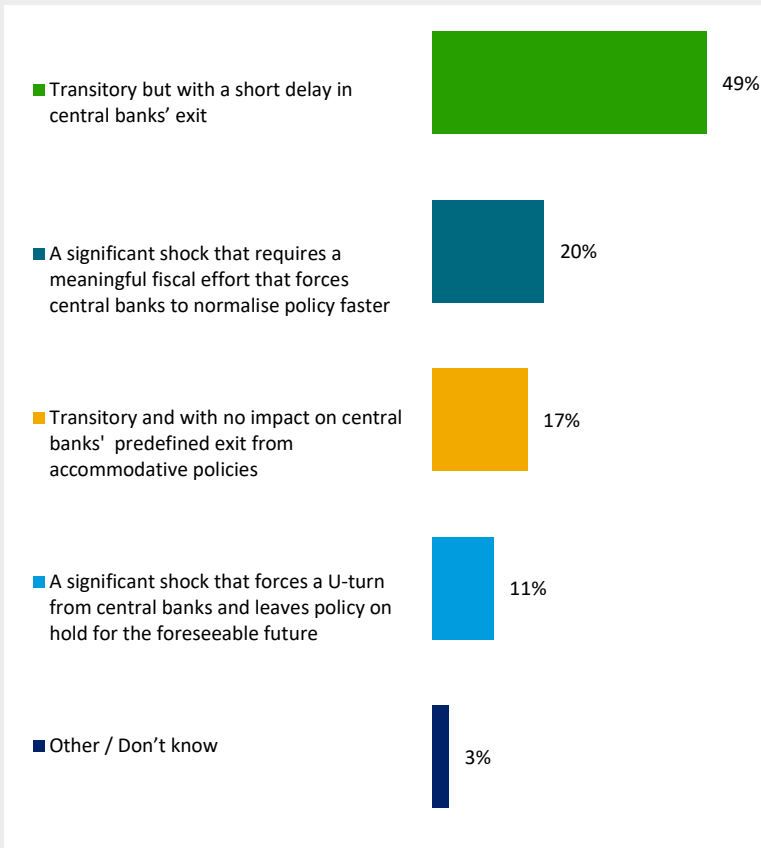
EMEA FICC Trading

# ECB Bond Market Contact Group

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

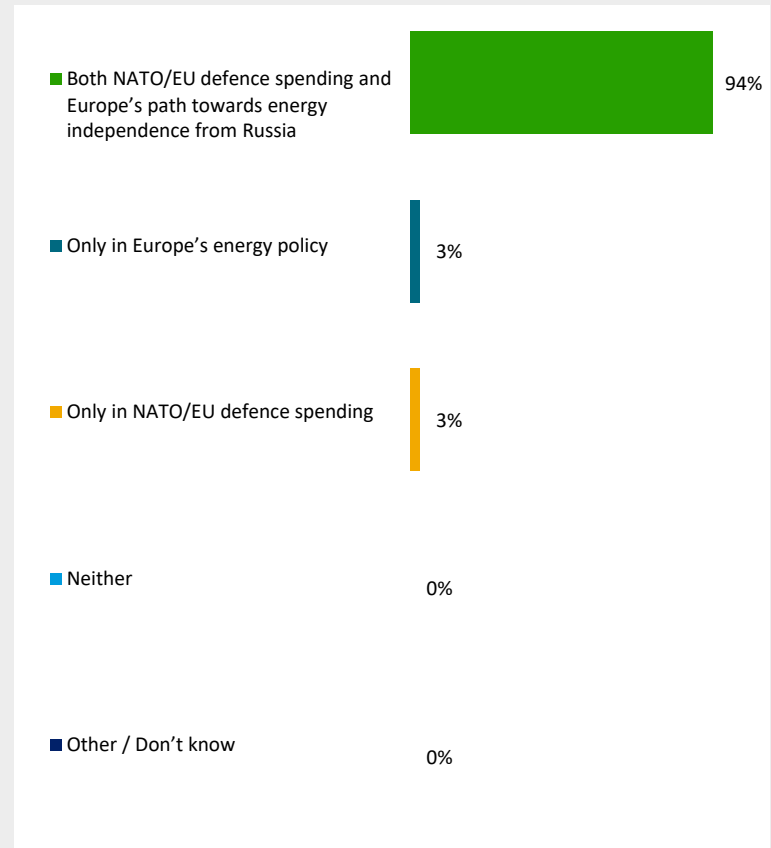


## Economic consequences from the Russia-Ukraine conflict are:



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

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

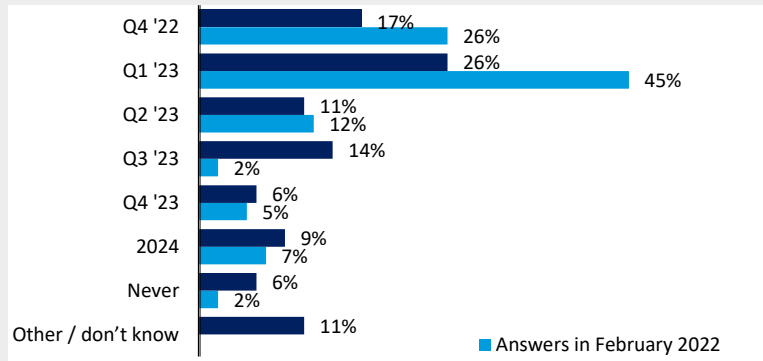


Source: BofA Global Research FX and Rates Sentiment Survey March 2022



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

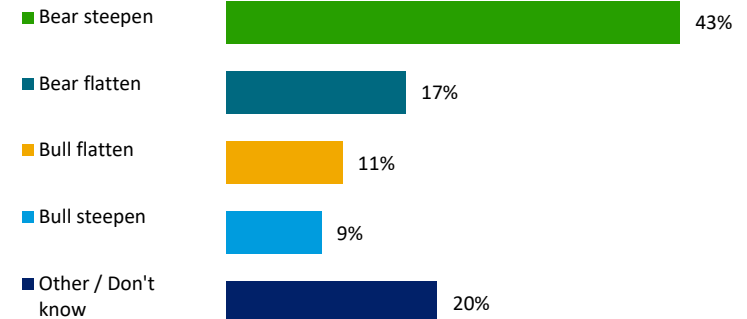
## When do you expect ECB to exit NIRP Market had shifted more dovish pre ECB



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

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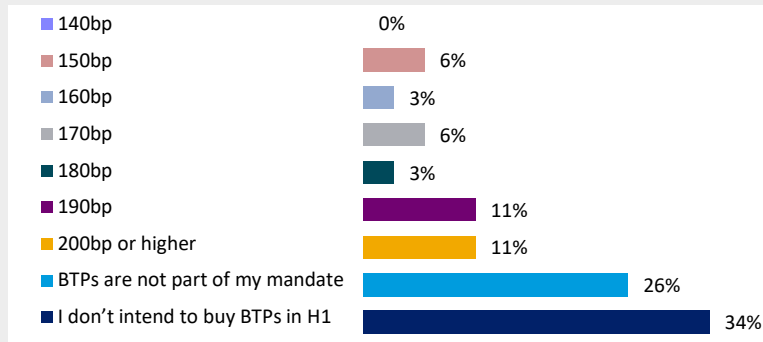
## In light of the EU reaction to the Ukraine conflict, I think the EGB rates curve will: Steeper curves remain consensus



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

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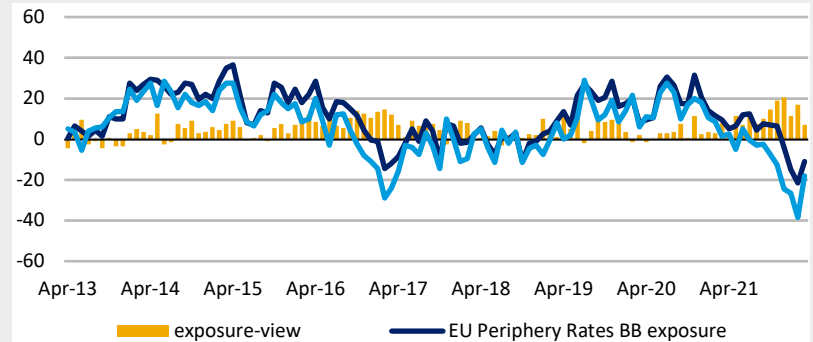
## I would buy/add BTPS in H1 at a spread to Bunds above: Still no love for BTPS



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



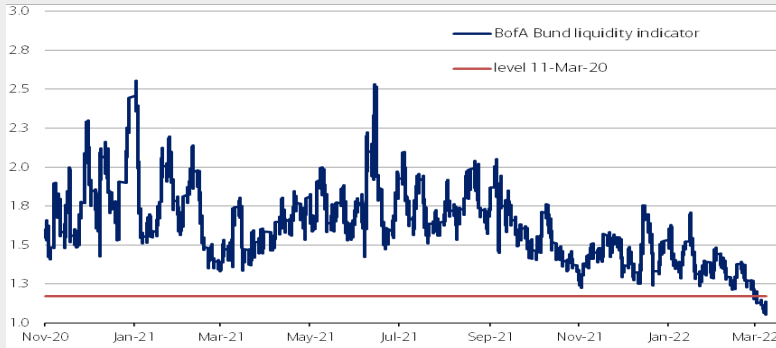
Source: BofA Global Research FX and Rates Sentiment Survey March 2022, BB is the Bull-Bear Index for exposure and view. It weights responses to create an index ranging from -100 to +100, with zero representing neutral

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# Liquidity deteriorates, risk asset outflows and FTQ inflows accelerate

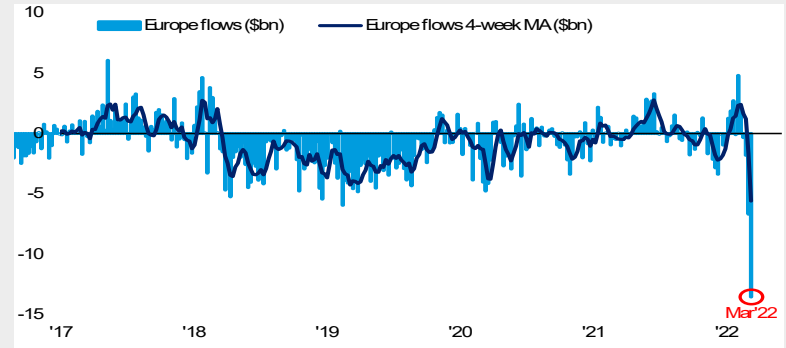
## Bund Future liquidity Worse than March 2020



Source: BofA Global Research

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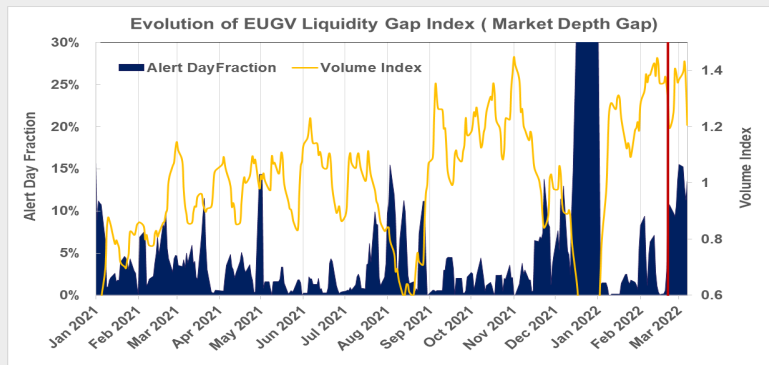
## Record outflows from European equities



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

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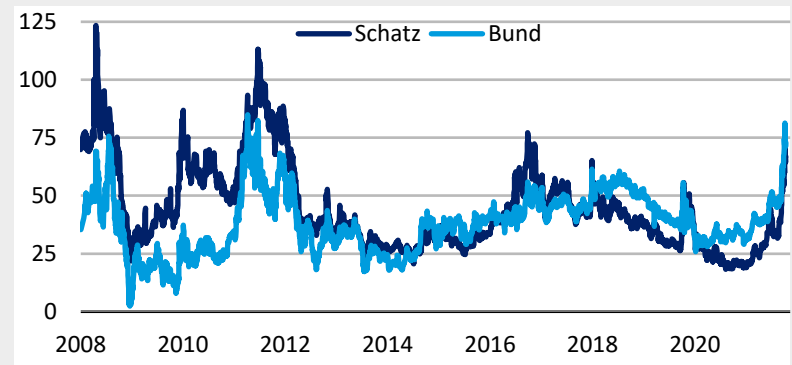
## EUGV liquidity gap index (market depth gap) Longest run of choppy but active markets since Jan 2021



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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