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

- Both NATO/EU defence spending and Europe’s path towards energy independence from Russia (94%)
- Only in Europe’s energy policy (3%)
- Only in NATO/EU defence spending (3%)
- Neither (0%)
- Other / Don’t know (0%)

Economic consequences from the Russia-Ukraine conflict are:

- Transitory but with a short delay in central banks’ exit (49%)
- A significant shock that requires a meaningful fiscal effort that forces central banks to normalise policy faster (20%)
- Transitory and with no impact on central banks’ predefined exit from accommodative policies (17%)
- A significant shock that forces a U-turn from central banks and leaves policy on hold for the foreseeable future (11%)
- Other / Don’t know (3%)

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**

- Q4 '22: 17%
- Q1 '23: 26%
- Q2 '23: 26%
- Q3 '23: 14%
- Q4 '23: 14%
- 2024: 9%
- Never: 6%
- Other / don’t know: 11%

Market had shifted more dovish pre ECB

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

**In light of the EU reaction to the Ukraine conflict, I think the EGB rates curve will:**

- Steeper curves remain consensus

  - Bear steepen: 43%
  - Bear flatten: 17%
  - Bull flatten: 11%
  - Bull steepen: 9%
  - Other / Don’t know: 20%

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

**I would buy/add BTPS in H1 at a spread to Bunds above:**

- Still no love for BTPS

  - 140bp: 0%
  - 150bp: 6%
  - 160bp: 3%
  - 170bp: 6%
  - 180bp: 3%
  - 190bp: 11%
  - 200bp or higher: 11%
  - BTPs are not part of my mandate: 26%
  - I don’t intend to buy BTPs in H1: 34%

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

**Duration exposure and view: Peripheral Europe**

- Periphery shorts reduced at the margin

Source: BofA Global Research FX and Rates Sentiment Survey March 2022
Liquidity deteriorates, risk asset outflows and FTQ inflows accelerate

**Bund Future liquidity**
Worse than March 2020

- **Graph:**
  - BoFA Bund liquidity indicator
  - Level 11-Mar-20

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

**Record outflows from European equities**

- **Graph:**
  - Europe flows ($bn)
  - Europe flows 4-week MA ($bn)

**ASW spreads at extremes**
Collateral shortage meeting historic underweights

**Source:**
- BoFA Global Research
- BoFA Global Investment Strategy, EPFR, 11 March 2022
- BoFA EMEA FICC Trading
- BoFA Global Research
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