BBVA

Corporate & Investment Banking

London, 24 September 2026

QIS Risk Premia: IR Policy Pulse

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QIS Publication Monitor

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BBVA QIS Trade Tracker

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BBVA QIS TRADE TRACKER

Source: Bloomberg and BBVA Global Markets Strategy

Title		Performance		Sharpe				Launch date
		1-month	3-month	6-month	Year-to-Date	1-year	Since Launch	
BBVA IR Policy Pulse	BBIRPPUS	0.0	0.0	0.4	0.5	0.5	NA	24 Sep 26
BBVA Equity Volatility Carry	BBEVUSPB	0.2	0.8	2.2	2.9	3.8	0.8	26 May 26
BBVA FX LatAm Trend	BBFXLMTU	-0.3	0.6	0.7	1.2	1.5	0.5	17 Mar 26
BBVA Credit Trend	BBCITRUS	0.0	0.3	-0.4	-0.5	-0.1	-0.6	15 Jan 26
BBVA EM vs. DM FX Carry	BBXTEDLU	1.0	1.5	2.0	1.9	2.5	2.4	07 Oct 25
BBVA FX LatAm Carry	BBFXLCRU	0.8	1.8	1.4	2.1	2.5	4.2	23 Apr 25
BBVA FX Global Carry	BBFXGCRU	1.0	1.1	1.4	1.9	2.4	4.0	23 Apr 25

Table as of 17 Sept 2026. NA = not available.

1. Summary

BBVA IR Policy Pulse

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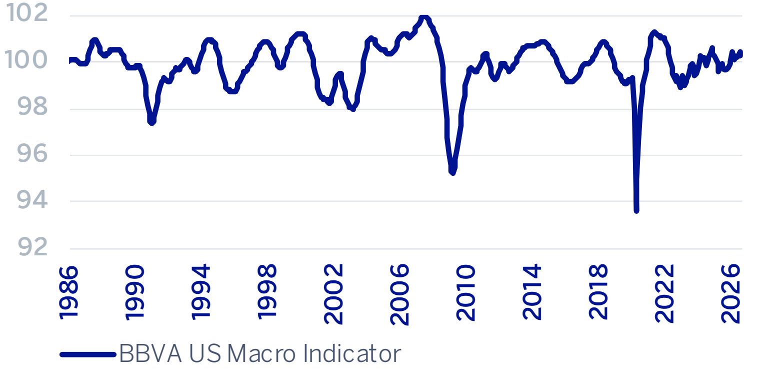
- **US growth showing signs of resilience.** Since the start of the month, US jobs data, retail sales, and ISM all point to exceptionally strong US economic growth amid higher energy prices and still-high long-term rates. Meanwhile BBVA Financial Conditions Index has remained sustainably near neutral territory since March. The US 10Y yield breaking 5% could thus be seen as a sign of exceptionally strong nominal GDP growth of nearly 8% (5% GDP growth suggested by the Atlanta Fed GDPNow and c.3% inflation). A robust labour market has made the Fed feel comfortable enough to restart its tightening cycle to reign in inflation. Looking back at history, we have seen allocation towards Carry and BBVA SMART strategies deliver the best returns when the US economy is in an expansion phase.
- **BBVA USPI seeing positioning unwinds.** Our US Positioning Indicator (USPI) currently sits at 0.55x, down from its late-August peak of 0.76x. This unwind in US equity exposure follows the US 10Y yield breaking out of its range and climbing above 5%, its highest level in nearly two decades. This orderly de-risking shifts market positioning back towards neutral. Crucially, in the absence of a single significant catalyst, robust economic fundamentals continue to cushion equity markets against deeper rate-driven sell-offs. The current 0.5-0.75x range for our positioning indicator still suggests that carry can continue to perform in the absence of a deeper correction in equity markets.
- **Carry on!** Strong economic fundamentals have led directly to carry strategies outperforming this year. In terms of absolute returns, BBVA FX LatAm carry has delivered the best returns this year with a Sharpe ratio of 2.5x over the past year, while BBVA equity volatility carry has delivered the best volatility-adjusted returns over the past year of 3.5x. Within the carry space, our preference remains for equity volatility carry (see QIS Risk Premia: Equity Volatility – 05 June 2026). Our BBVA QIS risk premia framework suggests BBVA equity volatility carry strategy as the QIS risk premia currently and the best among our offering of carry strategies.
- **Trade of the month: IR Policy Pulse.** Escalating tensions in the Middle East and the Russia-Ukraine conflict have kept energy prices elevated, reinjecting cost-push pressures into supply chains. Additionally, severe weather events and agricultural disruptions are driving up food prices globally. At the same time, the ECB, Fed and BoJ have hiked interest rates in the same month for the first time on record. While the past six months do not mirror the extreme inflationary environment of 2022, there are enough similarities to warrant investors considering strategies that could prove to be an effective hedge for their portfolios. BBVA Policy Pulse is our answer, where investors can use short-term rates to benefit from central bank action to counter rising inflation expectations in the US, Europe and the UK. Currently, US rates markets are pricing in 75bp of further rate hikes by the Fed from now until the end of next year. If the rate-hiking cycle ends up being longer, as history suggests that it might, then our strategy could be useful in hedging portfolios.

US growth resilient

- **US growth showing signs of resilience.** Since the start of the month, US jobs data, retail sales and ISM have all pointed to exceptionally strong US economic growth amid higher energy prices and still-high long-term rates. Housing markets remain weak given the current high level of mortgage rates, but all other signs point to some of the strongest mid-cycle growth in the US economy for a while. The US 10Y yield breaking 5% could hence be seen as a sign of exceptionally strong nominal GDP growth of nearly 8% (5% GDP growth suggested by Atlanta Fed GDP now and c.3% inflation). So far, risky assets have shrugged off concerns about higher long-term rates on the back of strong nominal GDP growth despite US term premia also climbing to near 15-year highs. The US equity index remains near all-time highs, and within our QIS indices space carry strategies have outperformed their historical Sharpe ratios this year. The former has also been supported by exceptionally strong earnings growth revisions this year, with expanding breadth.
- A robust labour market has made the Fed feel comfortable restarting its tightening cycle to rein in inflation. In the absence of a 2022-style rate-hike cycle, we do not see a few hikes as being enough to substantially derail the US growth story and expect the US economy to remain in an expansionary phase in the near term. Historically, we have seen allocation towards Carry and BBVA SMART strategies deliver the best returns when the US economy is in an expansion phase.

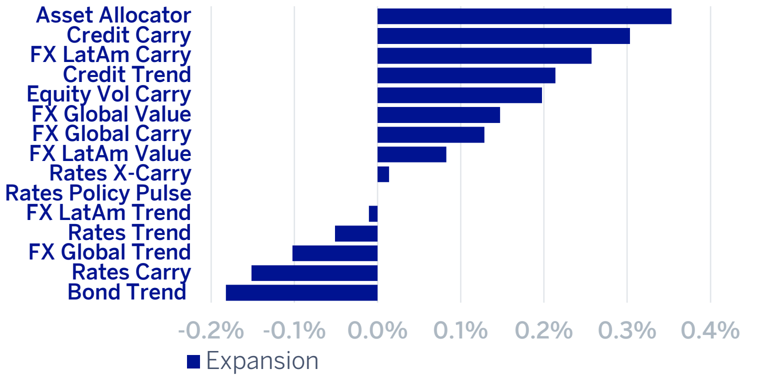
US GROWTH STILL EXPANDING

Source: Bloomberg and BBVA Global Markets Strategy



QIS PERFORMANCE DURING EXPANSION

Source: Bloomberg and BBVA Global Markets Strategy

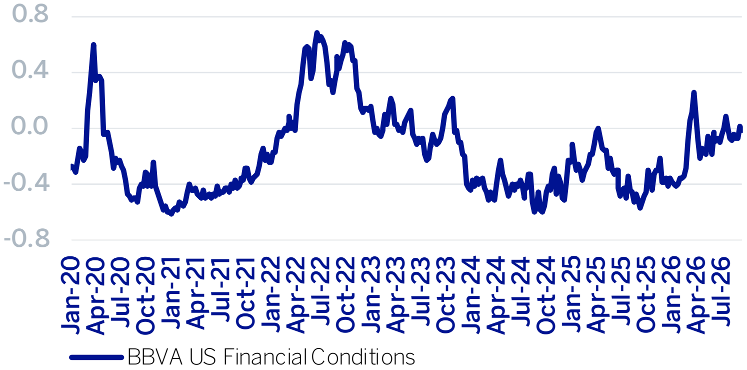


BBVA's Financial Conditions Index still neutral

- **BBVA's Financial Conditions Index (FCI) has stayed in neutral territory this year.** The FCI has remained sustainably near neutral territory since March. Elevated geopolitical risk premia impacting energy prices have driven up short-term inflation expectations, prompting a major pivot in central bank expectations from rate cuts to rate hikes. This shift is reflected in Dec-26 fed funds rate expectations, which have surged 120bp since March. While the past six months do not mirror the extreme inflationary environment of 2022, there is one key similarity: high interest rate volatility and higher long-term yields are keeping fixed-income investors cautious.
- Cross-asset volatility presents a clear divide across asset classes. While credit and FX volatilities remain anchored near multi-year lows, equity and rate volatilities remain notably higher. In the stock market, ongoing investor concerns over AI-driven valuation over-optimism have effectively capped equity upside, preventing broader market breakouts despite generally strong corporate earnings reports. As in 2022, a peak in inflation would be necessary for financial conditions to move back to loose territory, in our view.

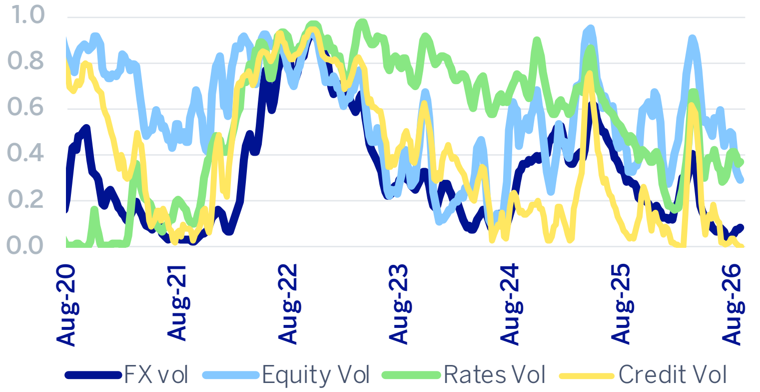
BBVA US FINANCIAL CONDITIONS INDEX (BBRIFCUS)

Source: Bloomberg and BBVA Global Markets Strategy



MACRO VOLATILITY TRENDING DOWN

Source: Bloomberg and BBVA Global Markets Strategy

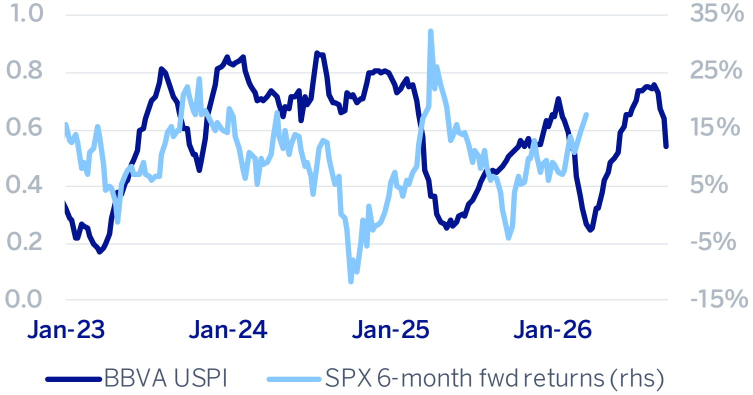


BBVA USPI seeing positioning unwind

- **BBVA's US Positioning Indicator (USPI) is seeing a positioning unwind.** The USPI currently sits at 0.55x, down from its late-August peak of 0.76x. This unwind in US equity exposure follows the US 10Y yield breaking out of its range and climbing above 5%, its highest level in nearly two decades. Following an early-April trough, equity markets enjoyed steady inflows, but that upward trend has recently reversed. The past month has seen systematic CTA strategy outflows along with decelerated momentum in ETF and mutual-fund buying. This orderly de-risking is shifting market positioning back toward neutral, implying that the positive equity-bond correlation seen over the past month may persist until upcoming earnings reports return the market focus to fundamentals. Crucially, in the absence of a single significant catalyst, robust economic fundamentals continue to cushion equity markets against deeper rate-driven sell-offs. The current 0.5-0.75x range for our positioning indicator still suggests that carry can continue to perform in the absence of a deeper correction in equity markets (see next slide for more details).

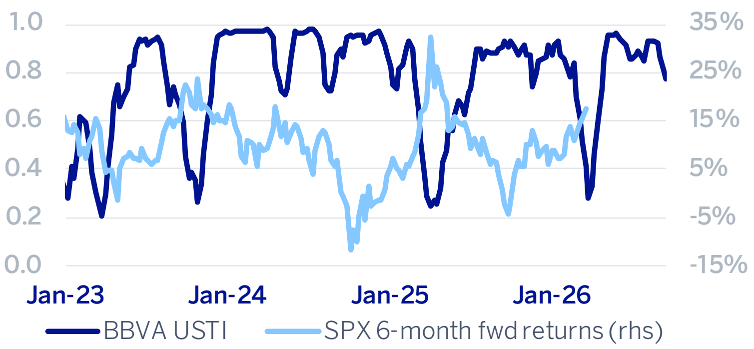
BBVA US EQUITY POSITIONING (BBRIUSPI Index)

Source: Bloomberg and BBVA Global Markets Strategy



BBVA US CTA POSITIONING INDICATOR (BBRIUSTI Index)

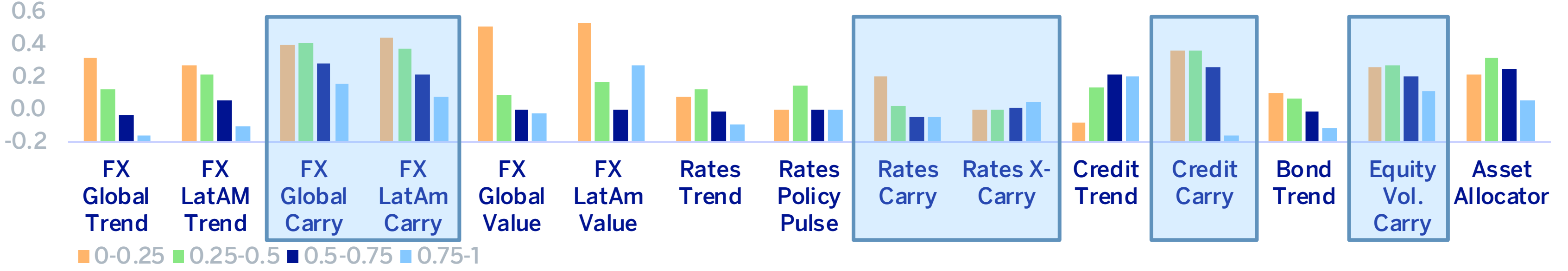
Source: Bloomberg and BBVA Global Markets Strategy



BBVA USPI vs. performance of QIS Indexes

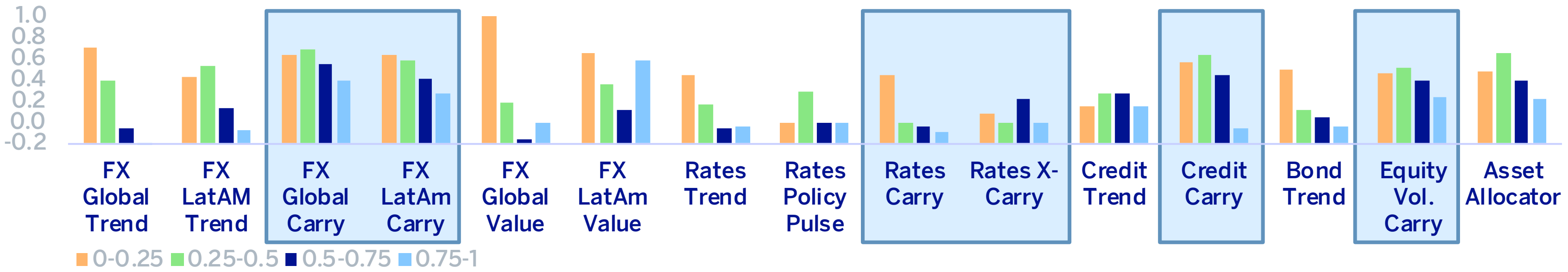
QIS INDEXES THREE-MONTH FORWARD MEDIAN RETURN BASED ON BBVA USPI LEVELS

Source: Bloomberg and BBVA Global Markets Strategy



QIS INDEXES SIX-MONTH FORWARD MEDIAN RETURN BASED ON BBVA USPI LEVELS

Source: Bloomberg and BBVA Global Markets Strategy

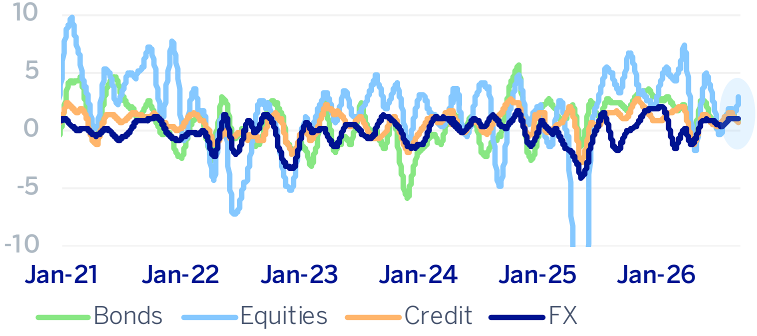


Carry on!

- **Carry on!** Strong economic fundamentals have directly translated into carry strategies outperforming this year. In terms of absolute returns, BBVA FX LatAm carry has delivered the best returns with a Sharpe ratio of 2.5x over the past year, while BBVA equity volatility carry has delivered the best volatility-adjusted returns over the past year of 3.5x. Price momentum has strongly favoured carry strategies across asset classes, excluding interest rate markets, which have suffered on the back of higher inflationary pressures. Rates carry strategies typically underperform during a rate-hiking cycle, and given that the ECB, Fed and BoJ hiked interest rates for the first time during the same month, the near-term outlook for rates carry strategy could remain challenging. Nonetheless, we think other carry strategies could continue to see a correlated move higher in the near term given strong economic fundamentals and neutral financial conditions combined with the near-neutral risk positioning identified by our quant signals.
- **Equity volatility carry preferred.** Within the carry space, our preference remains for equity volatility carry (see QIS Risk Premia: Equity Volatility – 5 June 2026). Our BBVA QIS risk premia framework still suggests the BBVA Equity volatility carry strategy as the best QIS risk premia currently and the best among our offering of carry strategies. Furthermore, the chart below highlights that equity volatility risk premia remains the highest across asset classes. Equity dispersion has suppressed US equity realised volatility this year, while implied volatility has remained bid on the back of macro uncertainties.

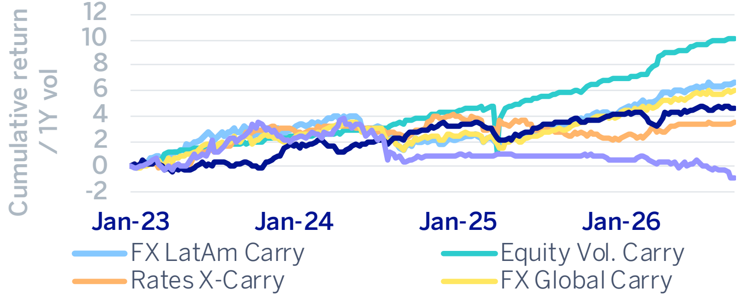
HIGHEST EQUITY VOLATILITY RISK PREMIA

Source: Bloomberg and BBVA Global Markets Strategy



CARRY STRATEGIES CONTINUE TO OUTPERFORM

Source: Bloomberg and BBVA Global Markets Strategy



Trade of the month: IR Policy Pulse

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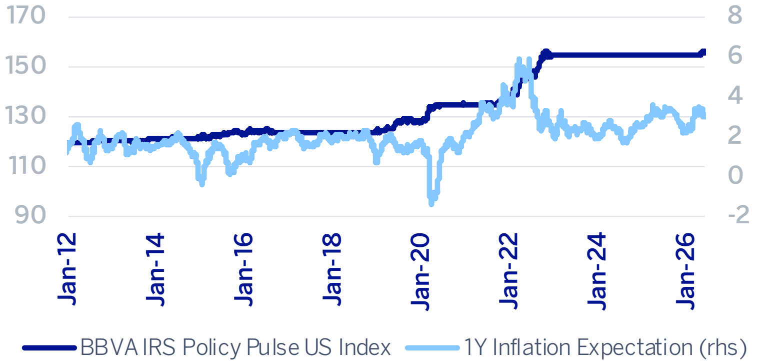
- **Inflation risks:** Escalating tensions in the Middle East and Russia/Ukraine conflicts have kept energy prices elevated, reinjecting cost-push pressures into supply chains. Additionally, severe weather events and agricultural disruptions are driving up food prices globally. At the same time, the ECB, Fed and BoJ hiked interest rates in the same month for the first time on record. While the past six months do not mirror the extreme inflationary environment of 2022, there are enough similarities to warrant investors considering strategies that could prove to be an effective hedge for portfolios. We are likely to see a few more rate hikes by the Fed in the coming months, if inflationary pressures remain elevated.
- **Trade of the month: IR Policy Pulse.** BBVA Policy Pulse is our tool to help investors who might want to use short-term rates to benefit from central bank action to counter rising inflation expectations in the US, Europe and the UK. Currently, US rates markets are pricing in 75bp of further Fed rate hikes from now until the end of next year. If the rate-hike cycle ends up being longer, as history suggests it might, our strategy could be useful for hedging portfolios.

BBVA POLICY PULSE: INFLATION HEDGE

Source: Bloomberg and BBVA Global Markets Strategy



FED DEC-26 IMPLIED RATE

Source: Bloomberg and BBVA Global Markets Strategy

BBVA risk-premia: IR Policy Pulse leads

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- **The BBVA QIS framework currently shows a preference for our new Interest Rates Policy Pulse index.** The strategy has the second strongest overall forward signal, driven by interest-rate volatility and inflation indicators. This strategy benefits when central banks start a rate-hiking cycle (and also from rate cuts), and historically this strategy benefits from a rise (or fall) in inflation expectations, as we are experiencing currently.

BBVA RISK-PREMIA FRAMEWORK

Source: Bloomberg and BBVA Global Markets Strategy

Lead Indicator			Leading Score	Momentum Score
Equity Vol. Carry	VRP Indicator	CFTC Indicator	100%	86%
Rates Policy Pulse	Volatility Indicator	Inflation Indicator	93%	50%
Rates Trend	Volatility Indicator	Trend Indicator	86%	64%
Credit Trend	Credit Trend Indicator	Macro Vol indicator	79%	21%
Asset Allocator	Correlation indicator	Macro Vol indicator	71%	29%
Bond Trend	Macro Vol indicator	Trend Indicator	64%	7%
Rates Carry	Volatility Indicator	Inflation Indicator	57%	0%
Credit Carry	Spread Indicator	Macro Vol indicator	50%	79%
Rates X-Carry	Volatility Indicator	Dispersion Indicator	43%	57%
FX Global Carry	PPP Indicator	FX vol indicator	36%	93%
FX Global Trend	Macro Vol indicator	Trend Indicator	29%	36%
FX LatAm Value	FX Latam vol indicator		21%	43%
FX LatAm Carry	Latam rate indicator	FX Latam vol indicator	14%	100%
FX Global Value	FX vol indicator	FX Dispersion indicator	7%	14%
FX LatAM Trend	Macro Vol indicator	Latam trend Indicator	0%	71%

- Our BBVA research frameworks still show a preference for equity volatility carry (see QIS Risk Premia: Equity Volatility – 5 June 2026). Our BBVA QIS risk premia framework suggests the BBVA equity volatility carry strategy as the best QIS risk premia currently and the best among our offering of carry strategies. Furthermore, equity volatility risk premia remain the highest across asset classes. Equity dispersion has suppressed US equity realised volatility this year, while implied volatility has remained bid on the back of macro uncertainties.
- Elsewhere, **rates trend** has the third-best leading score. Higher rates volatility is benefitting the rates trend strategy, while rates carry is underperforming on the back of the rate-hiking cycle. And the FX carry strategy continues to demonstrate a very strong momentum score despite a weaker leading score. This suggests that investors have continued to invest in these strategies despite carry potential having reduced recently.

FX carry strategies lead the pack

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BBVA QIS RISK-PREMIA MONITOR

Source: Bloomberg and BBVA Global Markets Strategy

	Performance						Volatility	Correlation 3M						Sharpe ratio	
	QTD	1M	3M	6M	YtD	1Y	60 days	SPX	US10Y	60/40	US IG	USD	VIX	10Y	1Y
Rates Trend	1.7	0.8	0.8	2.4	- 2.3	- 3.3	3.8	-49%	-80%	-65%	-72%	40%	31%	0.78	- 0.66
FX LatAm Carry	1.6	1.3	1.5	6.9	11.0	13.9	4.0	0%	-15%	-9%	-17%	42%	0%	0.45	2.72
FX Global Value	1.1	- 0.6	0.5	1.2	- 2.5	- 1.4	2.2	-4%	-3%	2%	1%	-35%	-6%	0.30	- 0.20
FX Global Carry	0.9	1.3	1.0	5.3	8.0	10.8	3.6	-3%	-13%	-14%	-15%	55%	6%	0.52	2.61
Equity Vol. Carry	0.6	0.2	0.8	3.1	4.4	5.9	0.6	75%	17%	74%	43%	-28%	-82%	0.62	3.54
FX LatAM Trend	0.4	- 0.0	0.1	3.4	5.7	7.7	2.7	9%	-10%	5%	-11%	18%	-14%	0.42	1.56
Bond Trend	0.4	0.1	- 0.2	0.1	- 1.4	- 2.1	2.9	-29%	-59%	-43%	-49%	5%	4%	0.46	- 0.56
Credit Trend	0.3	0.2	0.3	- 0.9	- 1.2	- 0.2	1.8	74%	46%	75%	52%	-14%	-55%	0.27	- 0.08
Credit Carry	0.2	0.3	0.5	2.8	1.4	2.2	2.0	68%	38%	64%	43%	-2%	-50%	0.40	0.91
Rates X-Carry	0.2	0.2	0.2	0.6	2.2	1.6	0.8	-20%	-33%	-31%	-25%	37%	24%	0.44	0.98
Rates Policy Pulse	-	-	-	0.5	0.5	0.5	0.7	5%	3%	8%	20%	-16%	-9%	1.34	0.45
Asset Allocator	- 0.1	- 0.3	- 0.1	1.8	- 0.3	0.8	2.8	91%	47%	88%	54%	-25%	-66%	0.69	0.23
FX LatAm Value	- 0.4	- 0.4	- 0.8	1.9	0.0	1.8	3.5	-19%	14%	-22%	0%	28%	18%	0.55	0.26
FX Global Trend	- 1.1	- 0.5	- 1.3	1.2	3.0	5.0	3.3	-2%	-8%	-7%	-11%	33%	0%	0.35	0.98
Rates Carry	- 3.7	- 1.4	- 3.0	- 3.6	- 4.1	- 4.7	3.9	37%	75%	54%	70%	-19%	-23%	0.42	- 1.31

- Our BBVA QIS monitor points to a stronger overall preference for **rates trend and carry strategies**, with rates trend up 1.7% since the beginning of August. Higher fixed income volatility and a strong negative trend in bond prices have helped our BBVA rates and bond trend strategies.
- Within the carry space, strong economic fundamentals have directly translated into carry strategies outperforming this year. Price momentum has strongly favoured carry strategies across asset classes, excluding interest rates markets, which have suffered on the back of higher inflationary pressures. In terms of absolute returns, BBVA FX Latam carry has delivered the best returns with a Sharpe ratio of 2.5x over the past year, while BBVA equity volatility carry has delivered the best volatility-adjusted returns over the past year of 3.5x. The price momentum has remained strongly in favour of carry strategies across asset classes, excluding interest rate markets, which have suffered on the back of higher inflationary pressures this year.

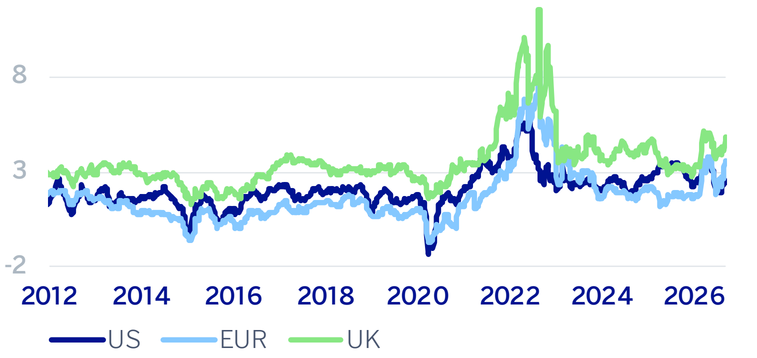
2. Trade of the month: IR Policy Pulse

IR Policy Pulse: Inflation risks

- **Inflation risks.** Escalating tensions in the Middle East and Russia-Ukraine conflicts have kept energy prices elevated, reinjecting cost-push pressures into supply chains. Additionally, severe weather events and agricultural disruptions are driving up food prices globally. Ongoing trade disputes are a further risk for price instability. The Fed continues to characterise inflation as elevated and recently raised rates, highlighting persistent inflation risks despite relatively subdued core-goods inflation. During the rate-hike cycle of 2022, our BBVA Policy Pulse index suggested hedging inflation risks in investor portfolios, delivering returns with a negative correlation to traditional 60/40 portfolios and a positive correlation to inflation breakevens. While current inflationary pressures are far from the acute pressures of 2021/22, when the stars aligned to push inflation to modern records, we nonetheless believe the worst of the current inflation cycle is yet to come. Ahead of winter, European gas inventories are near their lowest levels on record, with 2021 ranking as the second-worst year. In addition, extreme weather this year could drive food inflation higher for months to come. Current inflationary risks clearly show signs of similarity to 2021.

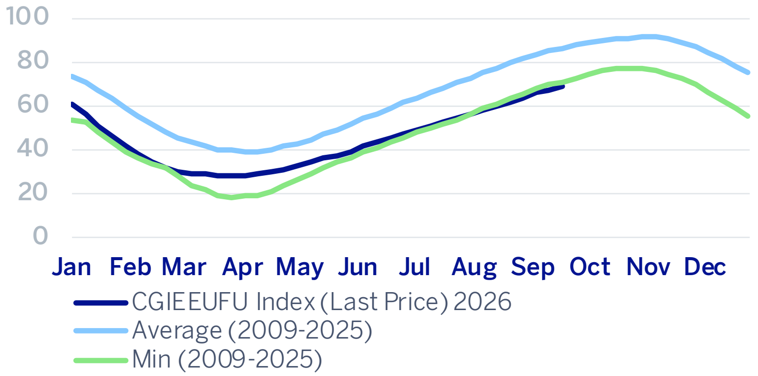
INFLATIONARY PRESSURES PICKING UP

Source: Bloomberg and BBVA Global Markets Strategy



EUROPEAN GAS INVENTORIES NEAR LOWS

Source: Bloomberg and BBVA Global Markets Strategy

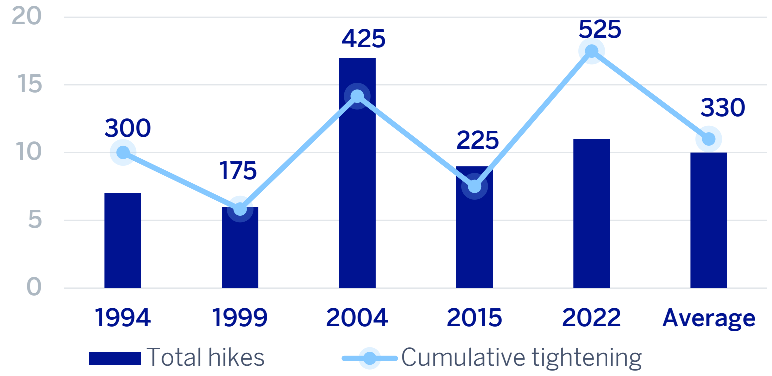


IR Policy Pulse: Rate-hike cycle

- **Rate-hike cycle.** The BBVA Financial Conditions Index has remained sustainably near neutral territory since March. This shift is reflected in Dec-26 fed funds rate expectations, which have surged 120bps since 1Q. At the same time, the ECB, Fed and BoJ hiked interest rates for the first time during the same month on record. While the past six months do not mirror the extreme inflationary environment of 2022, there are enough similarities to warrant investors considering strategies that could serve as an effective hedge for portfolios. The chart below on the left shows Fed rate-hike cycles over the past 30 years. Even in the best-case scenario, one hike doesn't represent a cycle, and we are likely to see a few more rate hikes by the Fed in the coming months, especially if inflationary pressures remain elevated over winter given heating demand amid low inventory and if food inflation picks up on the back of supply-chain and weather disruptions. Our BBVA Policy Pulse index hedges investors against a prolonged inflationary shock, but only when it is warranted.

INFLATIONARY PRESSURES PICKING UP

Source: Bloomberg and BBVA Global Markets Strategy



FED DEC-26 IMPLIED RATE

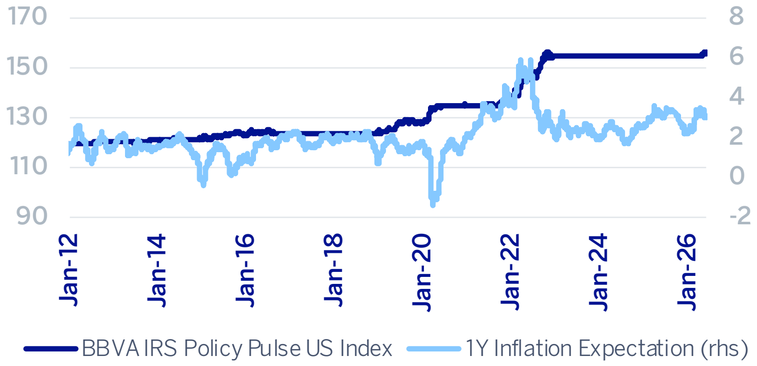
Source: Bloomberg and BBVA Global Markets Strategy

IR Policy Pulse: Inflation hedge

- **Inflation hedge:** The previous two slides discuss the risks facing global financial markets over the coming months. It is not growth but inflation that tends to be notoriously difficult to hedge. In the current environment of AI-fuelled earnings growth, being short equities may prove to be an expensive hedge. While shorting fixed-income assets remains challenging with the elevated negative carry. BBVA Policy Pulse is our tool that helps investors who want to use short-term rates to benefit from central bank action to counter rising inflation expectations in the US, Europe and the UK. Currently, US rates markets are pricing 75bp of further Fed rate hikes from now until the end of next year. If the rate-hike cycle ends up being longer, as history suggests it might, our strategy could be useful in hedging portfolios. The chart below overlays our BBVA US Policy Pulse with a US bond portfolio. Mainly driven by hedges provided during the 2022 bond market sell-off, the long-term value-add remains significant. We believe an inflationary wave is coming and it could prove useful to have a low-cost hedge in portfolios that helps avoid large drawdowns arising from an already positive bond-equity correlation, similar to 2022.

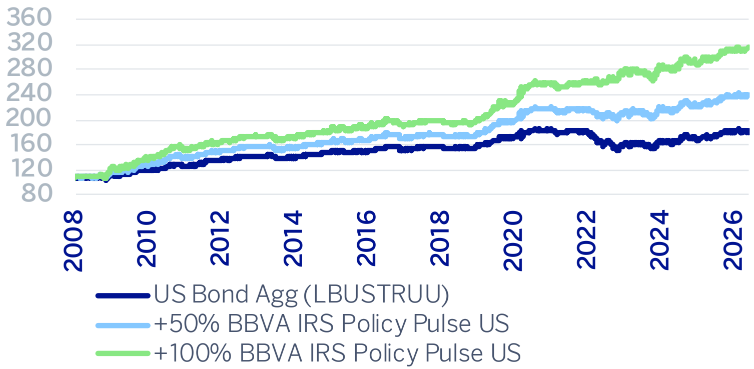
BBVA POLICY PULSE: INFLATION HEDGE

Source: Bloomberg and BBVA Global Markets Strategy



BBVA POLICY PULSE OVERLAY WITH US BONDS

Source: Bloomberg and BBVA Global Markets Strategy



BBVA Interest Rates Policy Pulse
Bloomberg ticker: BBIRPPUS <GO>

INVESTMENT RATIONALE

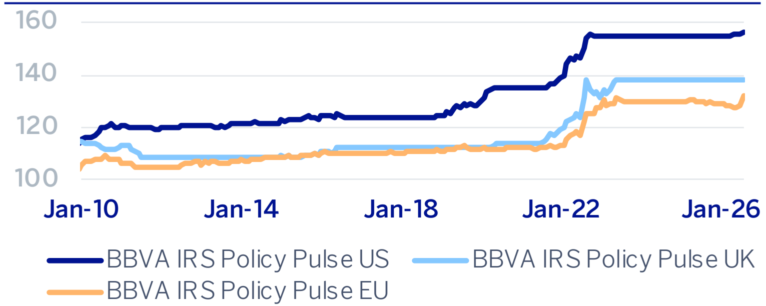
- The BBVA Interest Rates Policy Pulse seeks to capture opportunities arising from dislocations in rate-change expectations by dynamically positioning in interest rate swaps. It is designed to enter the market during periods of macro uncertainty when policy expectations tend to be in flux.
- Overall, the approach combines a reactive entry to inflation-driven regime shifts with a disciplined exit as conditions revert, aiming to deliver uncorrelated returns with a strong macro foundation and controlled risk profile.

KEY FACTS

- **Investment universe:**
  - 1M2Y Forward swaps
- **USD, EUR** and **GBP** versions
- **Net of Transaction Costs**

BBVA POLICY PULSE: PERFORMANCE

Source: Bloomberg and BBVA Global Markets Strategy



BBVA US POLICY PULSE: KEY METRICS

Source: Bloomberg and BBVA Global Markets Strategy

	Full History	10Y	5Y	1Y
Annual Excess Return	2.30%	2.20%	2.70%	0.00%
Realised Volatility	2.10%	1.90%	2.10%	0.00%
Maximum Drawdown	-2.90%	-2.40%	-2.40%	~
Sharpe Ratio	1.07	1.2	1.32	~

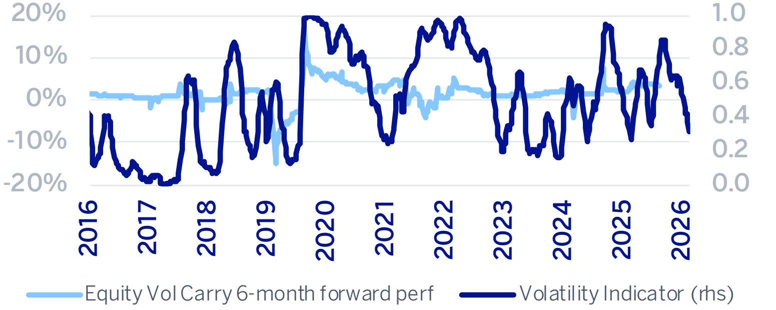
Performance metrics data from 2007 to April 2026. Figures computed in USD. Indices are excess return, net of charges. Chart may be partly composed of historical performance illustration based on a backtest.

3. Equity Volatility

Equity Volatility Carry

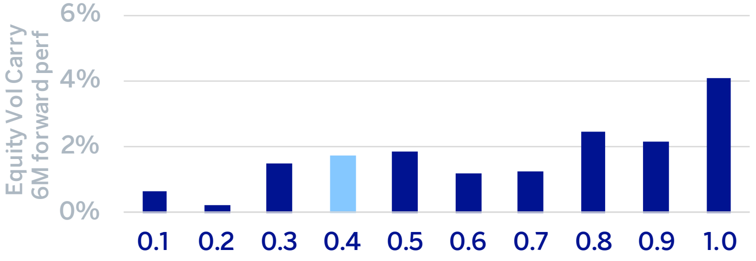
VOLATILITY INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE EQUITY VOL INDICATOR SUGGESTS AVERAGE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy

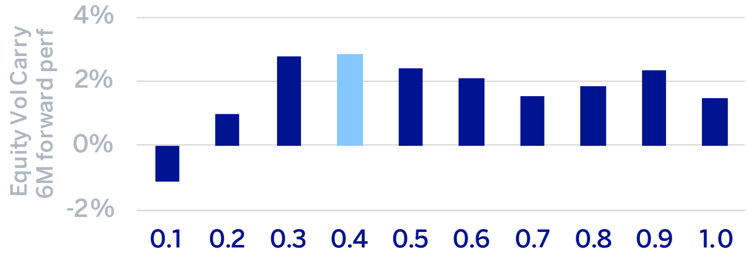


CFTC INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy

THE CFTC INDICATOR SUGGESTS AVERAGE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy

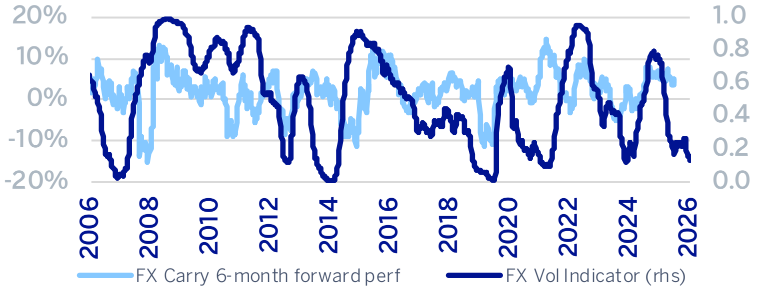


4. FX risk premia

FX carry – global

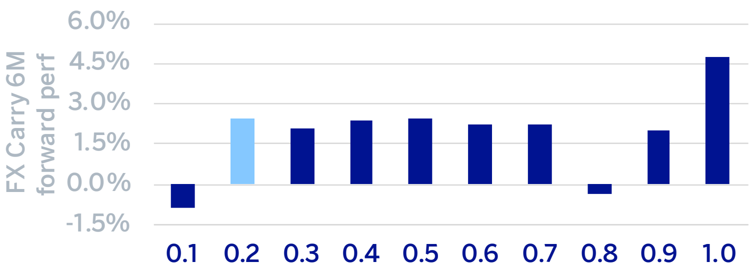
FX VOL CARRY INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



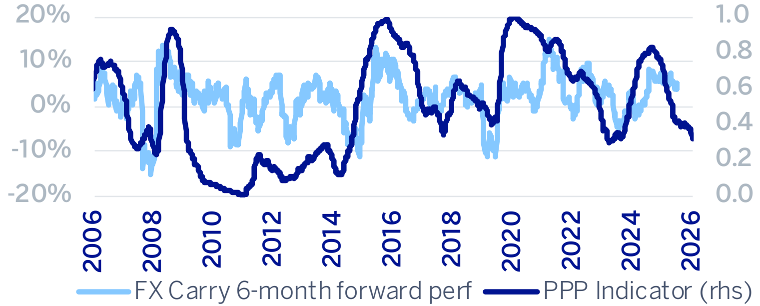
THE FX VOL INDICATOR SUGGESTS AVERAGE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



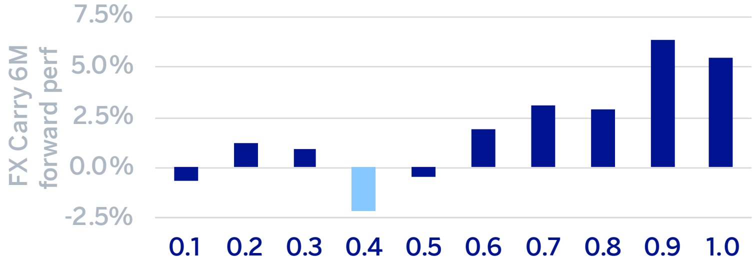
PPP INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



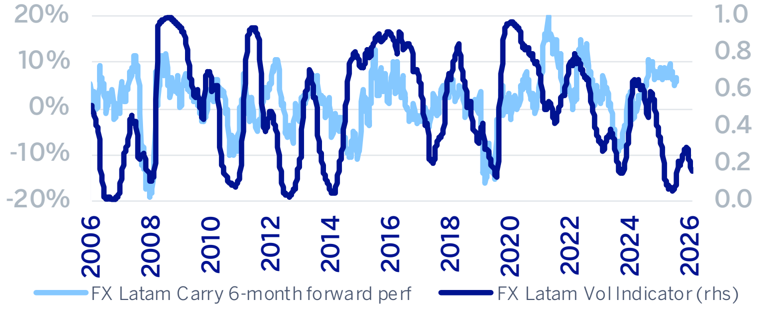
THE PPP INDICATOR SUGGESTS WEAK RETURNS

Source: Bloomberg and BBVA Global Markets Strategy

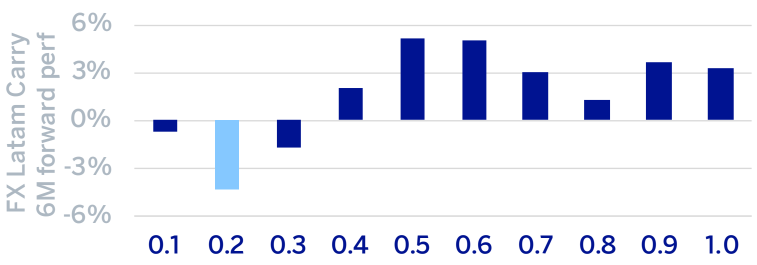


FX carry – LatAm

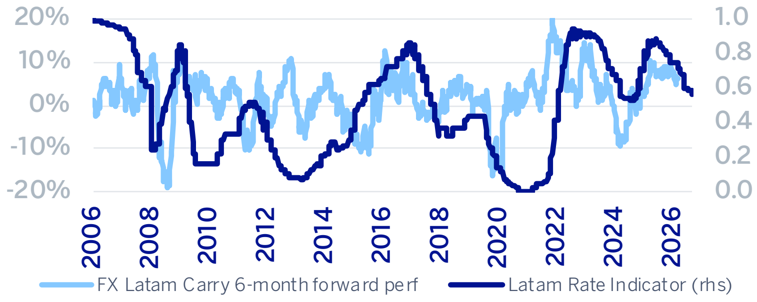
FX LATAM VOL CARRY INDICATOR
Source: Bloomberg and BBVA Global Markets Strategy



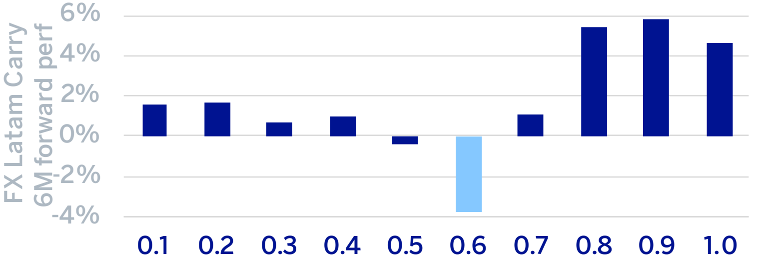
THE FX LATAM VOL INDICATOR SUGGESTS NEGATIVE RETURNS
Source: Bloomberg and BBVA Global Markets Strategy



LATAM RATE INDICATOR
Source: Bloomberg and BBVA Global Markets Strategy



THE LATAM RATE INDICATOR SUGGESTS NEGATIVE RETURNS
Source: Bloomberg and BBVA Global Markets Strategy



FX trend – global

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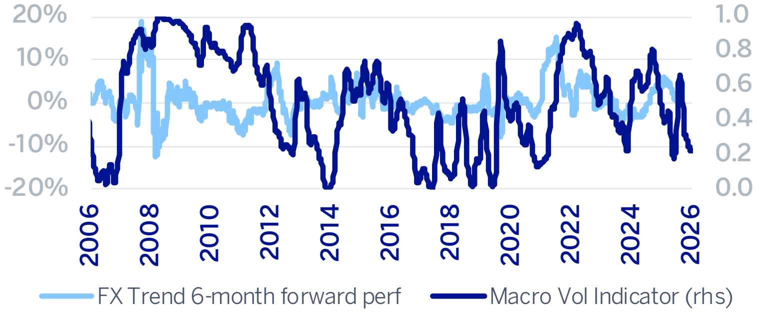
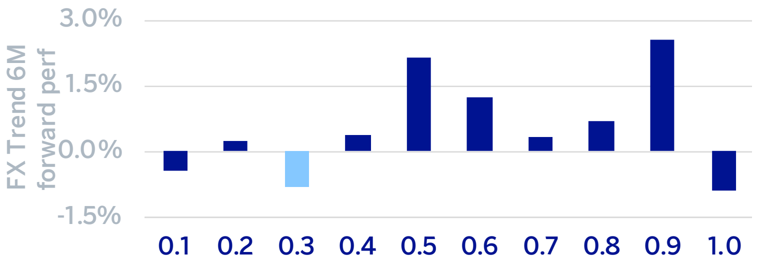
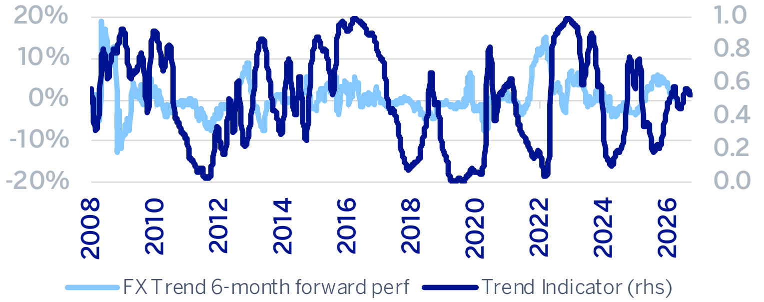
MACRO VOL INDICATOR
Source: Bloomberg and BBVA Global Markets Strategy



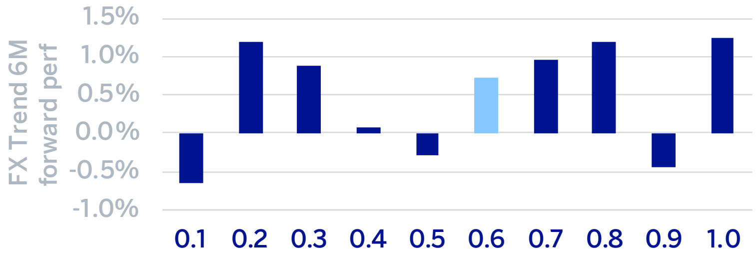
THE MACRO VOL INDICATOR SUGGESTS NEGATIVE RETURNS
Source: Bloomberg and BBVA Global Markets Strategy



FX TREND INDICATOR
Source: Bloomberg and BBVA Global Markets Strategy



THE FX TREND INDICATOR SUGGESTS AVERAGE RETURNS
Source: Bloomberg and BBVA Global Markets Strategy



FX trend – LatAm

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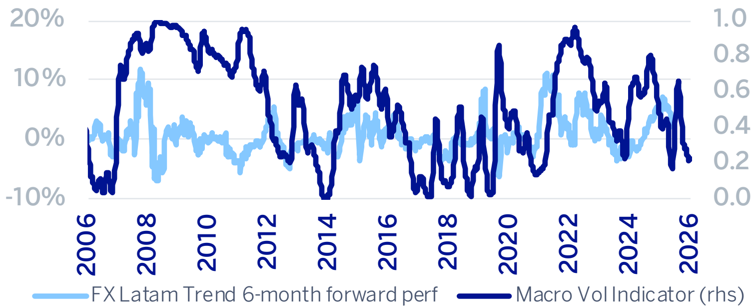
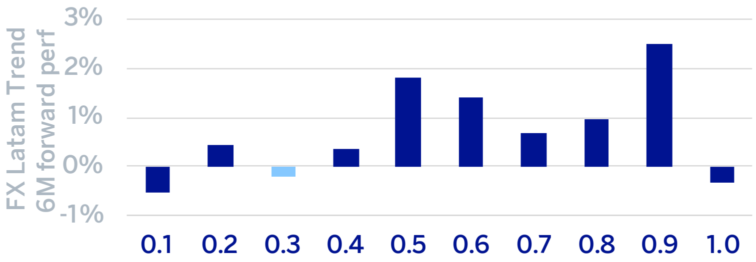
MACRO VOL INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



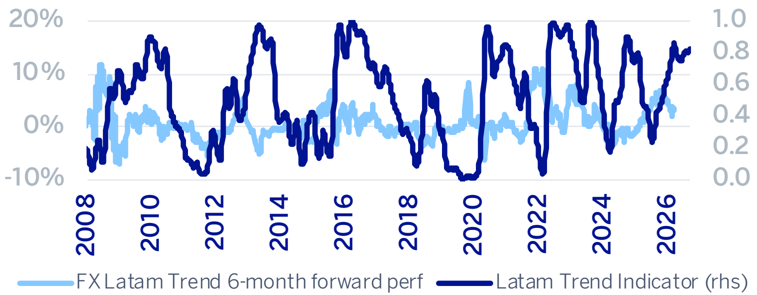
THE MACRO VOL INDICATOR SUGGESTS NEGATIVE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



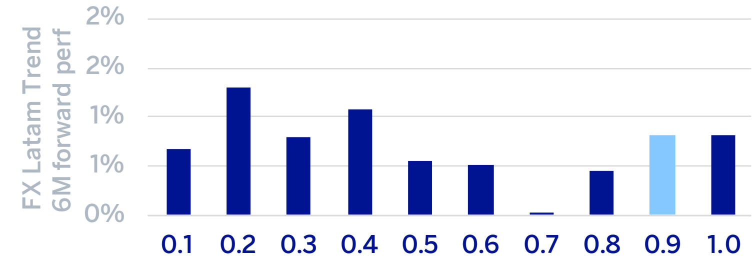
FX LATAM TREND INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE FX LATAM TREND INDICATOR SUGGESTS STRONG RETURNS

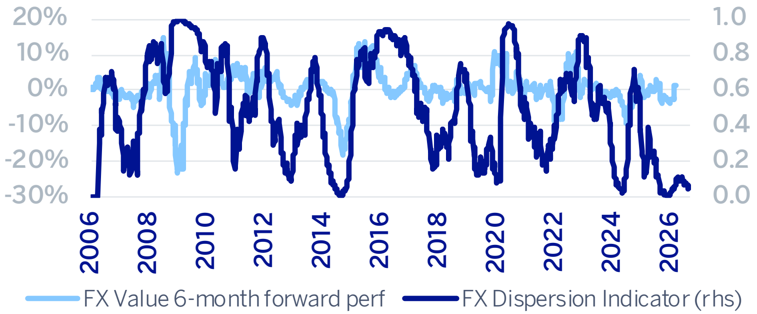
Source: Bloomberg and BBVA Global Markets Strategy



FX value – global

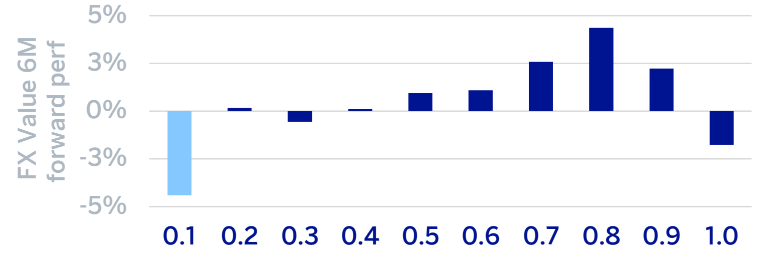
FX DISPERSION INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE FX DISPERSION INDICATOR SUGGESTS NEGATIVE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy

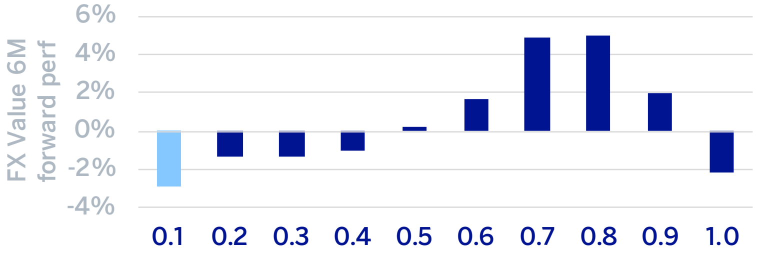


FX VOL INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy

FX VOL INDICATOR SUGGESTS NEGATIVE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



FX value – LatAm

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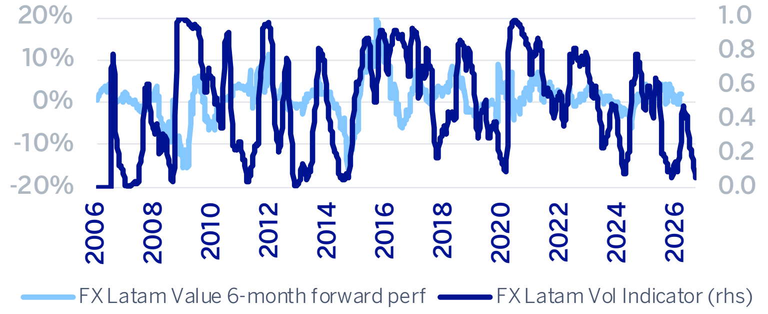
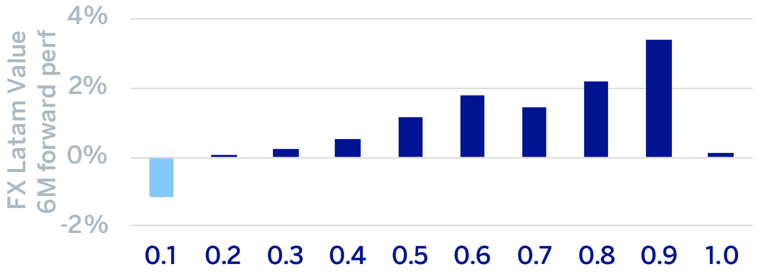
FX LATAM VOL INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE FX LATAM VOL INDICATOR SUGGESTS NEGATIVE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



5. Rates risk premia

Rates carry

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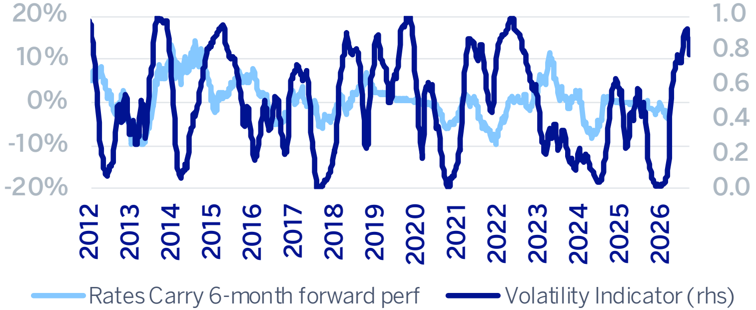
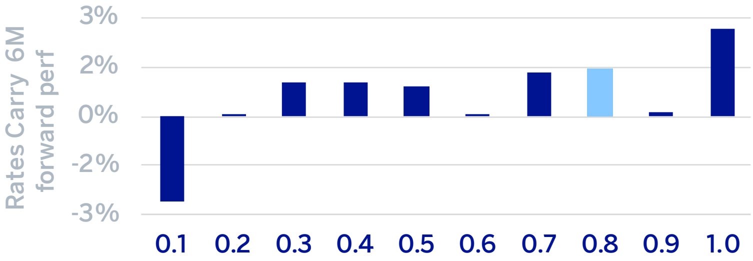
VOLATILITY INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



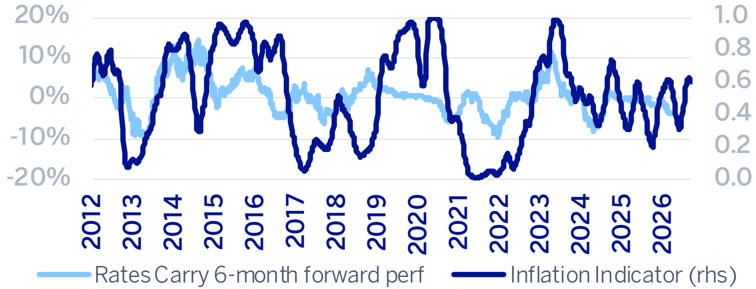
THE VOLATILITY INDICATOR SUGGESTS STRONG RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



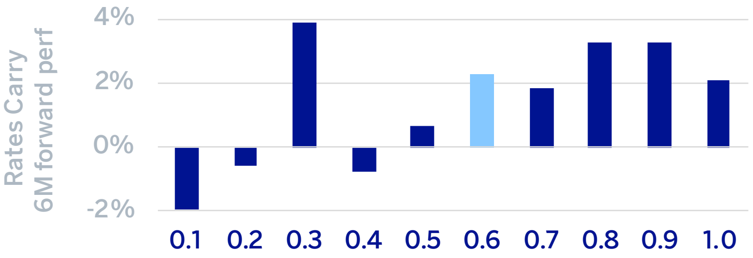
INFLATION INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE INFLATION INDICATOR SUGGESTS ONLY AVERAGE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



Rates trend

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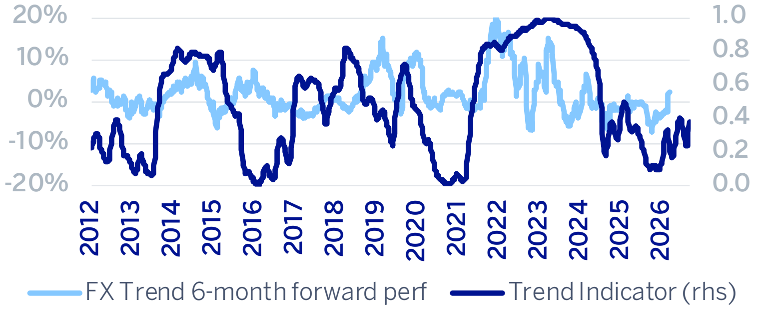
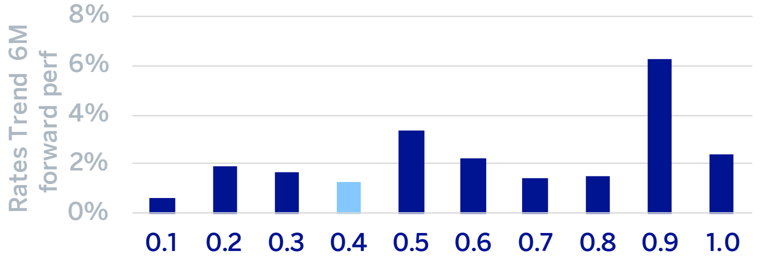
RATES TREND INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



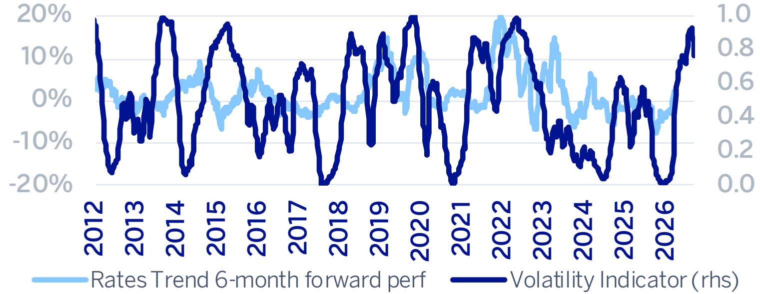
THE RATES TREND INDICATOR SUGGESTS MUTED RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



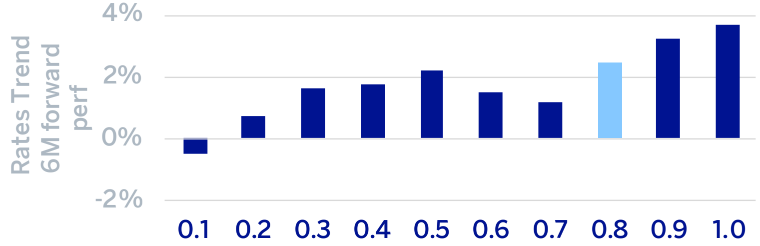
VOLATILITY INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE VOLATILITY INDICATOR SUGGESTS STRONG RETURNS

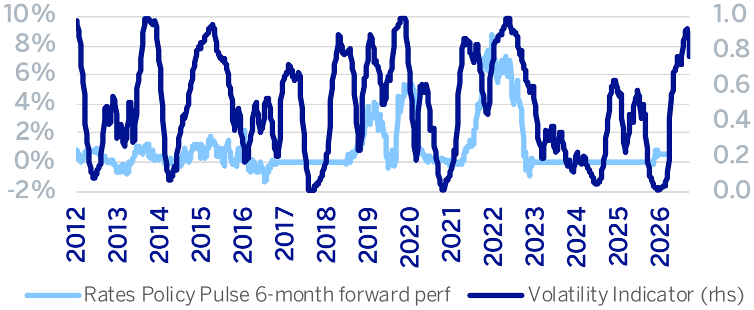
Source: Bloomberg and BBVA Global Markets Strategy



Rates Policy Pulse

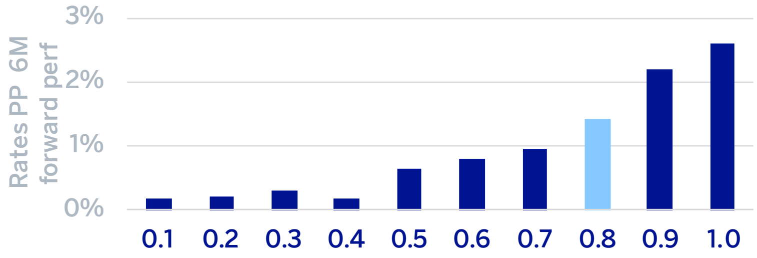
VOLATILITY INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



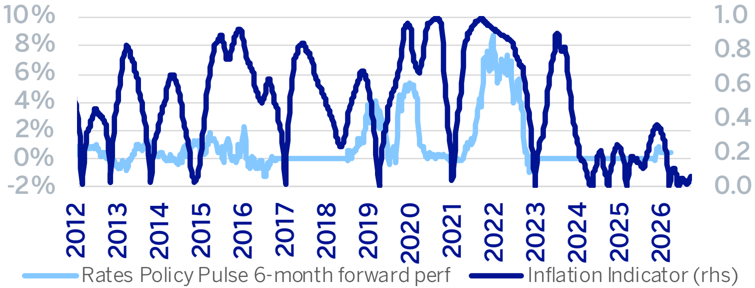
THE VOLATILITY INDICATOR SUGGESTS STRONG RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



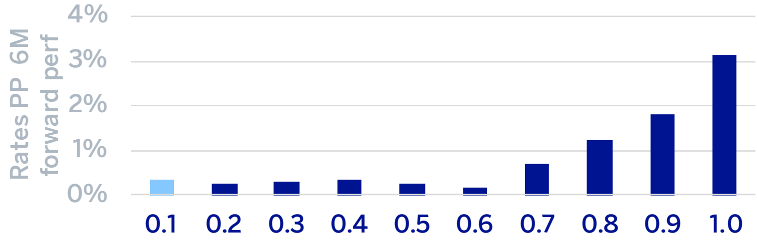
INFLATION INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE INFLATION INDICATOR SUGGESTS ONLY MUTED RETURNS

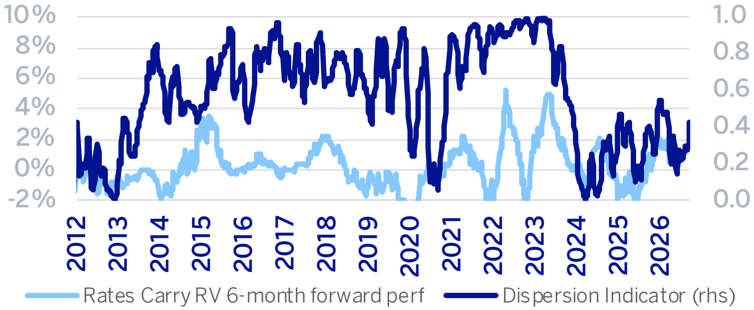
Source: Bloomberg and BBVA Global Markets Strategy



Rates X-Assets Carry

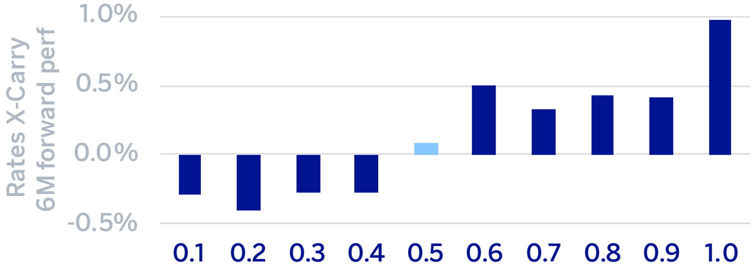
RATES DISPERSION INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



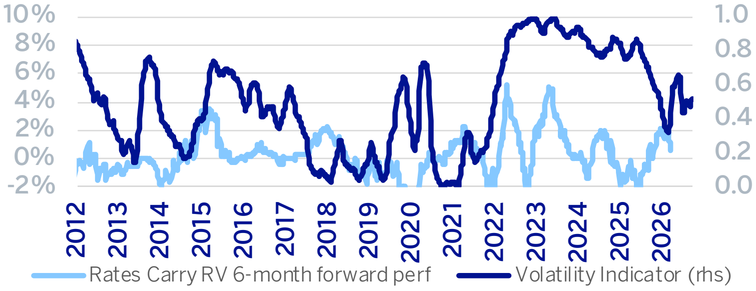
THE RATES DISPERSION INDICATOR SUGGESTS ONLY MUTED RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



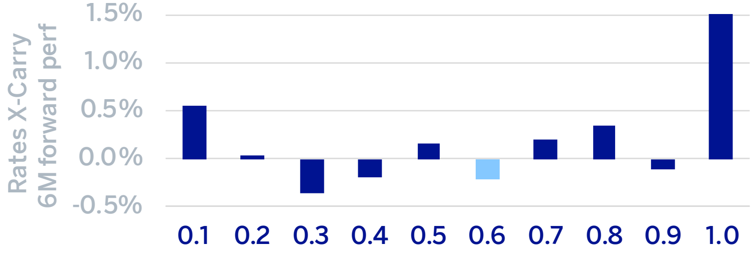
VOLATILITY INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE VOLATILITY INDICATOR SUGGESTS MUTED RETURNS

Source: Bloomberg and BBVA Global Markets Strategy

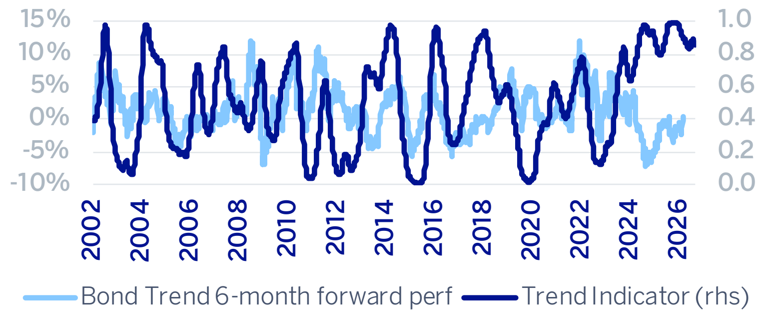


6. Bond and credit risk premia

Bond trend

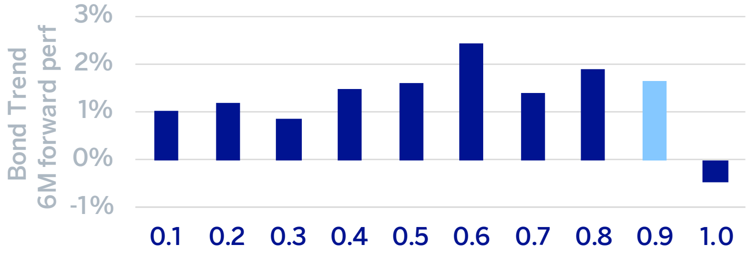
BOND TREND INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



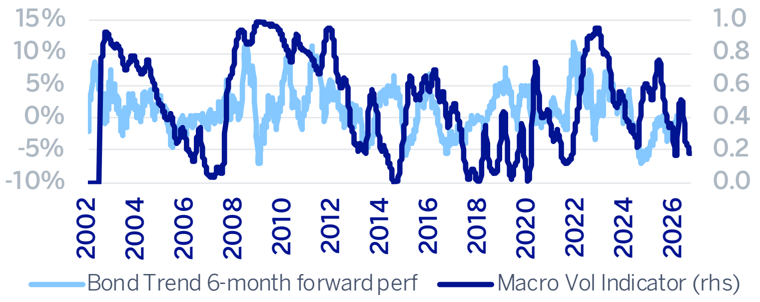
THE BOND TREND INDICATOR SUGGESTS STRONG RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



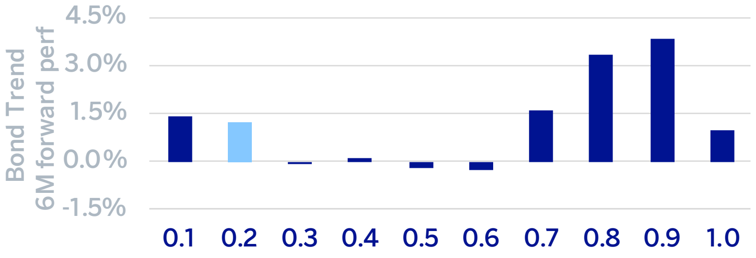
MACRO VOL INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE MACRO VOL INDICATOR SUGGESTS MUTED RETURNS

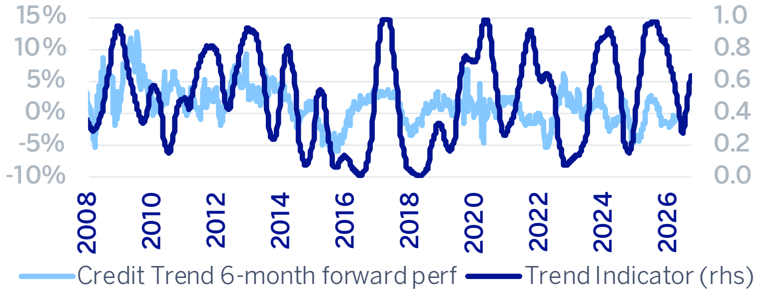
Source: Bloomberg and BBVA Global Markets Strategy



Credit trend

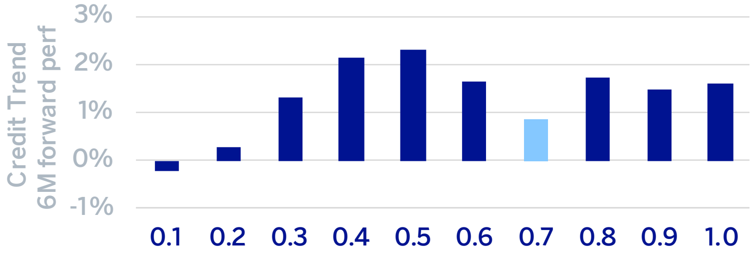
CREDIT TREND INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



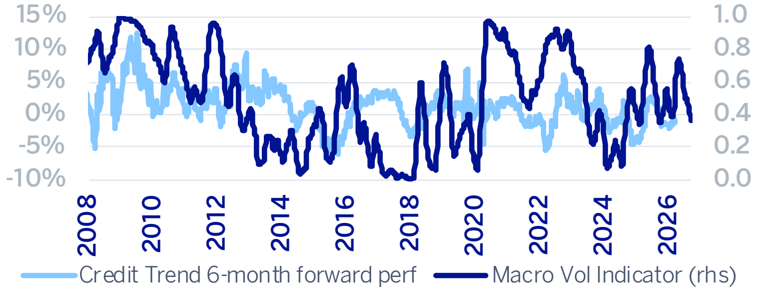
THE CREDIT TREND INDICATOR SUGGESTS AVERAGE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



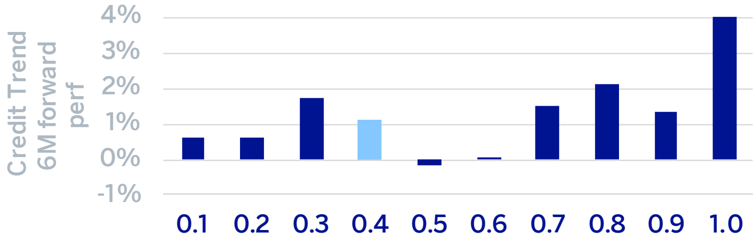
MACRO VOL INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



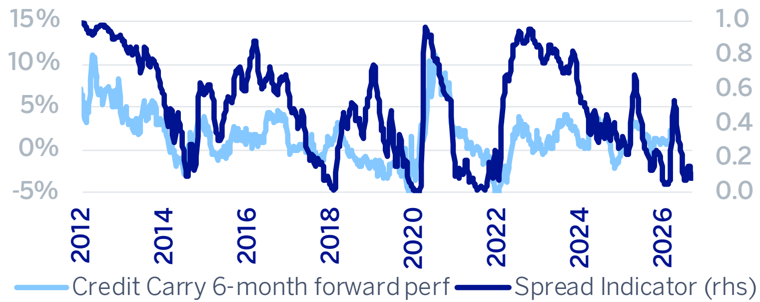
THE MACRO VOL INDICATOR SUGGESTS LOW RETURNS

Source: Bloomberg and BBVA Global Markets Strategy

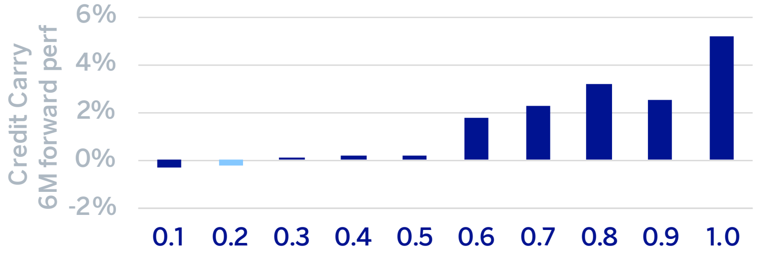


Credit carry

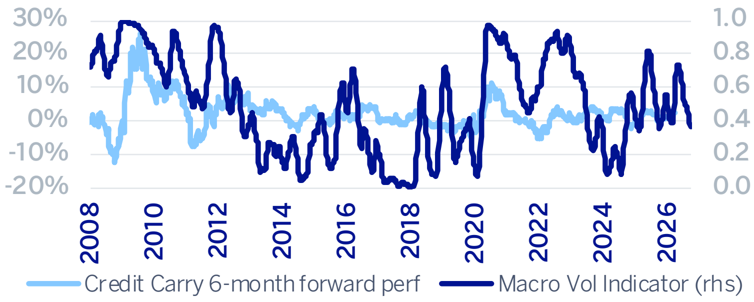
CREDIT SPREAD INDICATOR
Source: Bloomberg and BBVA Global Markets Strategy



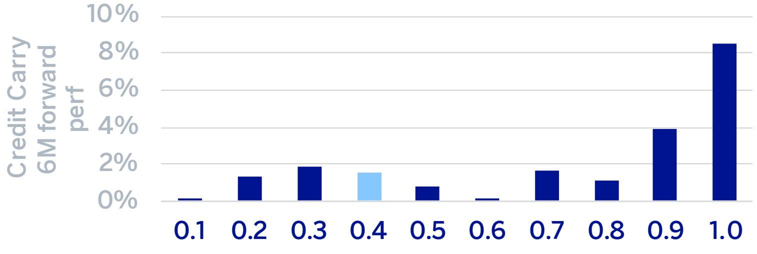
THE CREDIT SPREAD INDICATOR SUGGESTS MUTED RETURNS
Source: Bloomberg and BBVA Global Markets Strategy



MACRO VOL INDICATOR
Source: Bloomberg and BBVA Global Markets Strategy



THE MACRO VOL INDICATOR SUGGESTS ONLY MUTED RETURNS
Source: Bloomberg and BBVA Global Markets Strategy



7. Asset allocator

Asset allocator – SMART

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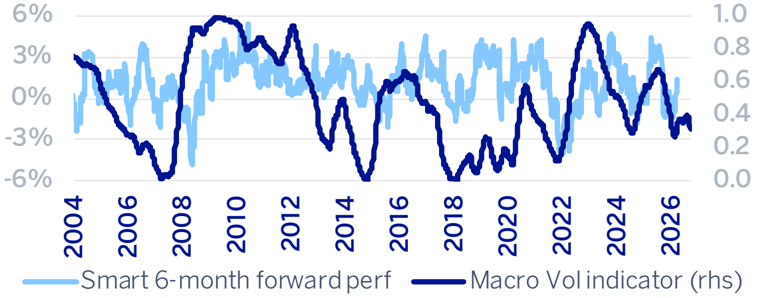
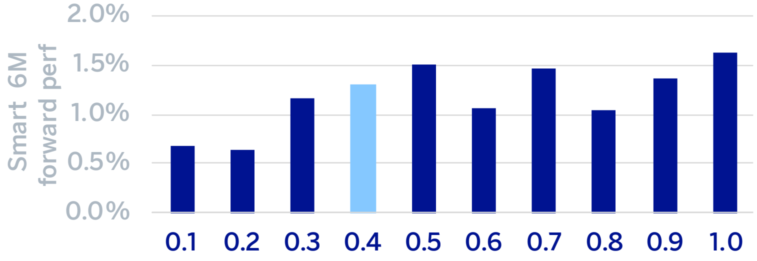
MACRO VOL INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



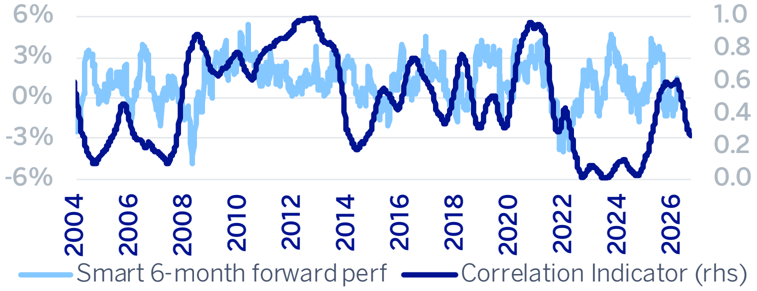
THE MACRO VOL INDICATOR SUGGESTS AVERAGE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



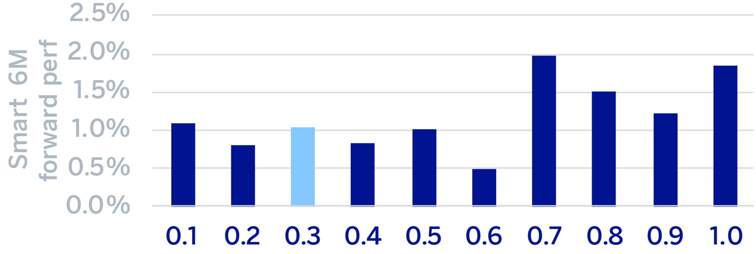
CORRELATION INDICATOR

Source: Bloomberg and BBVA Global Markets Strategy



THE CORRELATION INDICATOR SUGGESTS AVERAGE RETURNS

Source: Bloomberg and BBVA Global Markets Strategy



8. Appendix

BBVA risk-premia framework

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- **Fixed income risk premia:** this is our risk-premia publication covering risk-premia strategies in FX, bonds, credit and our asset allocator. The purpose of this publication is to analyse BBVA's risk-premia strategies and provide a framework for our readers to select the best risk premia in the current uncertain environment based on our macro framework. To rank the risk-premia strategies, we comply with the following framework.
  - For each risk-premia strategy, we have identified the one or two most relevant leading indicators that have historically predicted returns for the respective strategy. We have tested the plenitude of macro indicators and only selected the ones where we feel it makes the most macro sense and where we see evidence of high predictability in terms of forward returns.
  - Based on our leading indicators, we identify whether the current environment is favourable for "negative", "modest", "average" or "strong" returns for each of our risk-premia strategies. This is driven by how successful each indicator has been in predicting the forward returns of each strategy in addition to the current signal from these indicators.
  - See the index description slides for the details of each indicator that we have used to predict the performance of risk-premia strategies.
  - Lastly, we combine all the return predictions based on our selected leading indicators for each risk-premia strategy. We use this framework to select our preferred risk-premia strategy of the month. See the first section for the ranking in the current markets.
  - Our ranking is based on risk-adjusted returns.
- **Risk-adjusted returns:** we rank the strategies based on risk-adjusted returns. We believe the allocation to risk-premia strategies should be based on risk and the Sharpe ratio and, as a result, our model selects strategies that we believe are likely to deliver the best volatility-adjusted returns in the months ahead. We use the output of our model, which we overlay with the current macro environment, to regularly propose our preferred risk-premia strategy. This publication also helps readers monitor the recent trends in the key risk-premia strategies as well as the most relevant performance drivers.

Indicator description

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INDICATOR DESCRIPTION

Source: Bloomberg and BBVA Global Markets Strategy

Strategy	Indicator	Description
FX LatAm value	FX LatAm vol indicator	A high LatAm FX vol tends to drive strong performance over the next six months with weak performance just after a low vol regime. LatAm vol has climbed recently on tarrif risks.
FX LatAm carry	FX LatAm vol indicator	A high LatAm FX vol tends to drive strong performance over the next six months with weak performance just after a low vol regime. LatAm vol has climbed recently on tarrif risks.
FX LatAm carry	LatAm rate indicator	A high rate differential between LatAm and global central banks tends to be a key driver of forward LatAm carry returns. The current spread remains elevated; suggesting a positive outlook.
FX LatAM trend	LatAm trend indicator	A blend of short, median, long-term risk-adjusted returns. Trend strategies tend to have self-reinforcing effect, a strong historic trend tends to be a good predictor of a forward trend.
FX LatAM trend	Macro vol indicator	A combination of equity, rates and FX vol. A high vol tends to lead to strong performance over the next six months with weak performance just after low vol regime. The cross-asset vol has climbed recently, although remains near long-term median levels. The next move in vol could be lower, in our view.
FX global value	FX dispersion indicator	A higher dispersion between FX indices tends to drive more dislocation opportunities for FX value indices. The dispersion is currently low.
FX global value	FX vol indicator	A high FX vol tends to lead to strong performance over the next six months with weak performance just after low vol regime. FX vol has climed recently, as we have just seen a regime shift.
FX global trend	Macro vol indicator	A combination of equity, rates and FX vol. A high vol tends to lead to strong performance over the next six months with weak performance just after low vol regime. The cross-asset vol has climbed recently, although remains near long-term median levels. The next move in vol could be lower, in our view.
FX global trend	Trend indicator	A blend of short, median, long-term risk-adjusted returns. Trend strategies tend to have a self-reinforcing effect, a strong historic trend tends to be a good predictor of forward trend.
FX global carry	FX vol indicator	A high FX vol tends to lead to strong performance over the next six months with weak performance just after low vol regime. The FX vol has climbed recently as we have just seen a regime shift.
FX global carry	PPP indicator	Based on divergence from the PPP value for FX pairs. A high divergence tends to indicate a better enviornment for carry trades with strong momentum. Convergence to fair value tends to be a risk.

Indicator description

BBVA Corporate & Investment Banking

INDICATOR DESCRIPTION

Source: Bloomberg and BBVA Global Markets Strategy

Strategy	Indicator	Description
Credit trend	Credit trend score	A blend of short, median, long-term risk-adjusted returns. Trend strategies tend to have a self-reinforcing effect, a strong historic trend tends to be a good predictor of the future trend.
Credit trend	Macro vol indicator	A combination of equity, rates and FX vol. A high vol tends to lead to strong performance over the next six months with weak performance just after low vol regime. The cross-asset vol has climbed recently, although remains near long-term median levels. The next move in vol could be lower, in our view.
Credit carry	Macro vol indicator	A combination of equity, rates and FX vol. A high vol tends to lead to strong performance over the next six months with weak performance just after a low vol regime. The cross-asset vol has climbed recently, although remains near long-term median levels. The next move in vol could be lower, in our view.
Credit carry	Spread indicator	The HY/IG spread tends to be a good indicator of future return. A high spread tends to drive interesting opportunities for credit carry strategies.
Bond trend	Macro vol indicator	A combination of equity, rates and FX vol. A high vol tends to lead to strong performance over the next six months with weak performance just after a low vol regime. The cross-asset vol has climbed recently, although remains near long-term median levels. The next move in vol could be lower, in our view.
Bond trend	Trend indicator	A blend of short, median, long-term risk-adjusted returns. Trend strategies tend to have a self-reinforcing effect, a strong historic trend tends to be a good predictor of the future trend.
Asset allocation	Correlation indicator	Bond vs. equity correlation. A high positive correlation over recent years has been associated with weak returns in asset allocation strategies. We believe we are entering a regime of negative bond equity correlation that should once again be favourable for asset allocation.
Asset allocation	Macro vol indicator	A combination of equity, rates and FX vol. A high vol tends to lead to strong performance over the next six months with weak performance just after a low vol regime. The cross-asset vol has climbed recently, although remains near long-term median levels. The next move in vol could be lower, in our view.
Rates Carry	Volatility Indicator	A measure of bond market volatility. Elevated volatility has historically preceded stronger performance over the following months, while the period just after low-vol regimes tends to be weaker
Rates Carry	Inflation Indicator	Tracks the change in long-term inflation expectations over the year. Falling inflation expectations tend to be favourable for the strategy, while rising expectations have been associated with weaker returns
Rates trend	Volatility Indicator	A measure of bond market volatility. Elevated volatility has historically preceded stronger performance over the following months, while the period just after low-vol regimes tends to be weaker
Rates trend	Trend Indicator	A blend of short-, medium- and long-term risk-adjusted returns across G3 rates and related crosses. Trend strategies tend to be self-reinforcing — a strong historic trend has been a good predictor of the future trend
Rates Policy Pulse	Volatility Indicator	A measure of bond market volatility. Elevated volatility has historically preceded stronger performance over the following months, while the period just after low-vol regimes tends to be weaker. Cross-asset vol has risen recently but remains near long-term median levels
Rates Policy Pulse	Inflation Indicator	Captures the shift in long-term inflation expectations over the year. Both sharply rising and sharply falling inflation expectations tend to favour the strategy, with the most muted returns when expectations are stable near their historical norm
Rates X-Carry	Volatility Indicator	A measure of bond market volatility. High volatility regimes have historically supported stronger returns for the strategy over the subsequent months
Rates X-Carry	Dispersion Indicator	A blend of short-, medium- and long-term risk-adjusted dispersion across G3 rates and related crosses. Higher dispersion in regions leads to higher oppurtunities for this strategy

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Where investments are denominated in a currency other than the investor's base currency, changes in foreign exchange rates may adversely affect returns.

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Risk Disclosures

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