

BofA Desk Warns Nasdaq Crossing "Bubble Threshold", Recommends Trade To Hedge Unwind



BY TYLER DURDEN

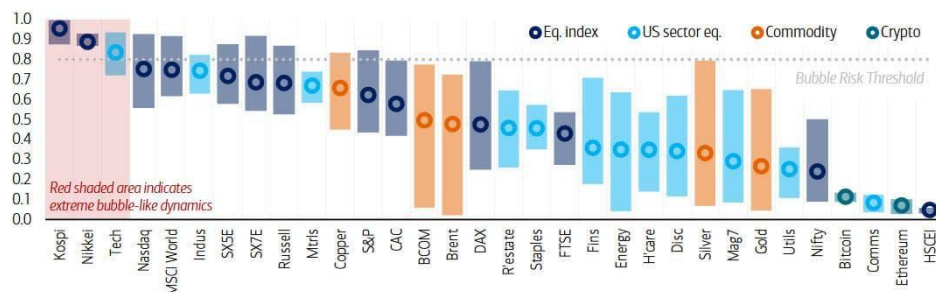
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As Bank of America's derivatives team writes in its [latest weekly note](#), while last week's hawkish FOMC meeting triggered a re-pricing of Fed policy and pushed front-end rates higher, the Nasdaq continued its broad trend higher, and "the AI bubble continues to expand" as BofA puts it, despite macro headwinds and geopolitical uncertainty (which, as the bank says, is "typical of bubbles building").

The breakneck rally has also pushed the Nasdaq's Bubble Risk Indicator closer to the top quintile, beyond which we typically see rising near-term risks in both tails.

Exhibit 8: Frothy instability continues to rise in the Nasdaq (BRI now just under 0.8 threshold) driven by extreme bubble-like dynamics in US tech & semis; the Kospi and Nikkei continue to show extreme BRI readings & bubble-like instability

BofA Bubble Risk indicator (as of 19-Jun-26) across global equity indices, US equity sectors, commodities and crypto (bars: range of short- to long-term sub-indicators)



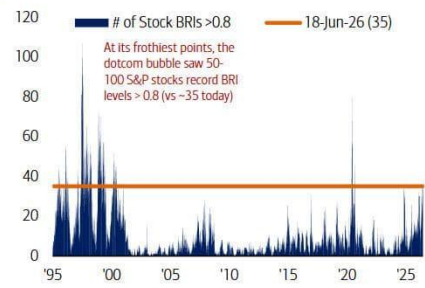
Source: BofA Global Research. Data as of 19-Jun-26. Underlying tickers: SPX, NDX, RY, SXSE, SX7E, CAC, DAX, UKX, NKY, HSEI, KOSPI2, NIFTY, MXWD, DB, DCP, DE, DM, DI, IXT, IXR, DRE, DXJ, DXV, DY, BM7P, BCOM, CO1, XAU, XAG, HG1, XBTUSD, XETUSD. Disclaimer: The indicator identified as the BofA Bubble Risk Indicator is intended to be an indicative metric only and may not be used for reference purposes or as a measure of performance for any financial instrument or contract, or otherwise relied upon by third parties for any other purpose, without the prior written consent of BofA Global Research. This indicator was not created to act as a benchmark.

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As an aside, the BofA Bubble Risk Indicator (BRI) is a price-based measure designed to detect bubble-like asset dynamics. Inspired by the way the first four moments describe a statistical distribution, the BRI distills an asset's returns, volatility, momentum, and fragility into a single bubble-risk reading on a 0 to 1 scale; 1 represents extreme bubble-like price action while 0 represents none. Historic asset bubbles have exhibited high BRI levels as they formed and peaked

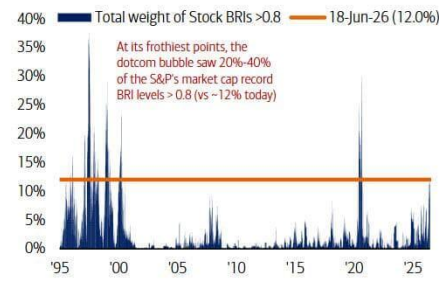
The bank observes that the Nasdaq's Bubble Risk Indicator (BRI) has risen to the key 0.8 level, "beyond which we typically see elevated near-term risks in both tails."

Exhibit 11: S&P stocks are showing increasingly frothy price action, both in terms of the number of stocks...
of SPX stocks with BRIs above 0.8



Source: BofA Global Research. Data from 1-Jan-95 to 18-Jun-26. Stocks' BRI computed using data since SPX inclusion. See Disclaimer in Exhibit 8.
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Exhibit 12: ... and when measured by total index weight
Total weight of SPX stocks with BRIs above 0.8



Source: BofA Global Research. Data from 1-Jan-95 to 18-Jun-26. Stocks' BRI computed using data since SPX inclusion. See Disclaimer in Exhibit 8.
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While the S&P has also been resilient in its rally, the Nasdaq remains at the center of the AI trade, having outperformed in both return and vol since the March lows.

Exhibit 15: Since the March lows, the Nasdaq has outperformed the S&P handily, in both returns (32.5% vs 18.2%) ...
NDX vs SPX performance from 30-Mar-26 to 18-Jun-26



Source: BofA Global Research, Bloomberg. Data from 30-Mar-26 to 18-Jun-26.
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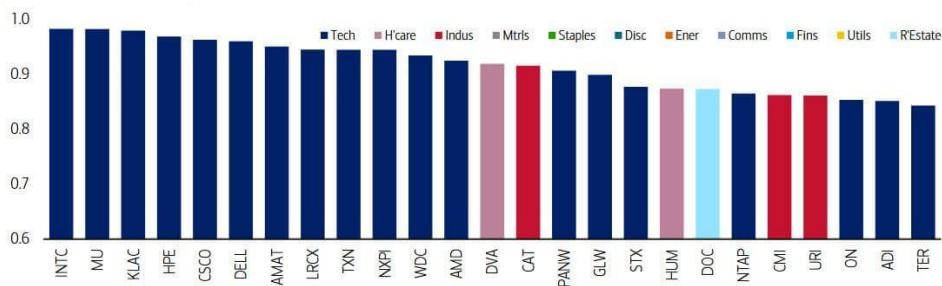
Exhibit 16: ... and in realized vol (23.5% vs 15.1% annualized vol)
NDX vs SPX variance accrual from 30-Mar-26 to 18-Jun-26



Source: BofA Global Research, Bloomberg. Data from 30-Mar-26 to 18-Jun-26.
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What has driven NDX outperformance on both metrics? The usual suspects: overweight exposure to semis stocks like MU, AMD & INTC, which have some of the highest BRI readings...

Exhibit 13: Tech stocks, specifically semiconductor stocks like INTC, MU and KLAC, rank highest in terms of their Bubble Risk Indicators amongst S&P 500 members
S&P 500 member stocks with highest BRI reading (as of 18-Jun-26)

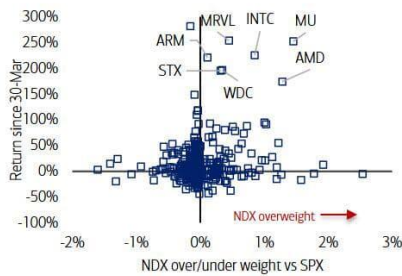


Source: BofA Global Research. Data as of 18-Jun-26. Note: Stocks' BRI computed using data since S&P 500 inclusion. See Disclaimer in Exhibit 8. Note that the BRI is a purely price-based metric intended to quantify the degree of bubble-like price action. It is not a fundamental view on the stock and should be used only as a complement to fundamental and positioning-based metrics.
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... and which are notably overweight in NDX vs SPX, have been striking outperformers in the US large cap universe, both in terms of returns and realized vol.

Exhibit 17: Under the hood, semis stocks like MU, AMD & INTC have been the key drivers of NDX outperformance given their overweight in NDX vs SPX

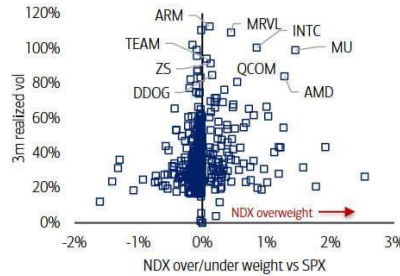
Stock return since 30-Mar vs NDX-SPX index weight differential



Source: BofA Global Research, Data from 30-Mar-26 to 18-Jun-26. Weighting as of 30-Mar-26.
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Exhibit 18: Concurrently, semis stocks that are overweight in NDX have also contributed to rising NDX vol vs SPX vol, with many of these large stocks realizing >80v over the last 3m (like MU, AMD & INTC)

3m realized vol vs NDX-SPX index weight differential



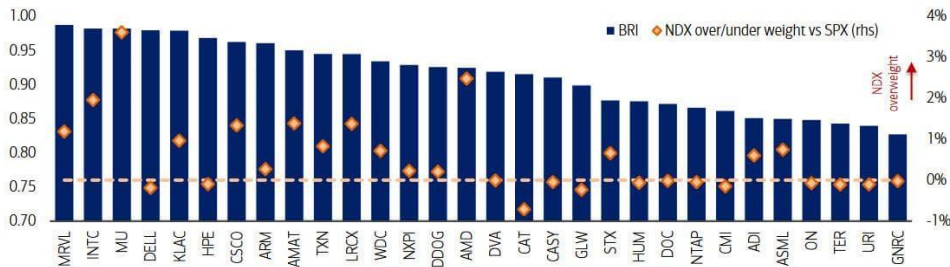
Source: BofA Global Research, Data from 26-Mar-26 to 18-Jun-26. Weighting as of 30-Mar-26.
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Note that while ultra-low correlation has been a key suppressor of SPX realized vol, NDX stock correlation has also reached historically low levels, hence the NDX vs SPX index vol divergence looks to be primarily driven by higher NDX single stock vol.

More broadly, many of the large cap US stocks with the highest Bubble Risk Indicator readings are overweight in NDX vs SPX (8 out of the top 10, see chart below), and are hence driving NDX's spot & vol outperformance vs SPX and the overall rise in bubble-like dynamics in the NDX relative to SPX.

Exhibit 19: A large proportion of the US large cap stocks with the highest Bubble Risk Indicators (8 out of the top 10) are overweight in the Nasdaq vs the S&P, driving more bubble-like dynamics in NDX (vs SPX)

Top BRI stocks in NDX & SPX vs NDX-SPX index weight differential



Source: BofA Global Research, Data as of 18-Jun-26. Weighting as of 18-Jun-26.

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At the thematic level, US TMT momentum, EU semis & memory, and Japanese management transformation are the global themes showing bubble-like price action as per their high BRIs.

Exhibit 14: US TMT momentum, EU semis & memory, and Japanese management transformation are amongst the global themes showing bubble-like price action as per their high BRIs

Bubble Risk Indicator on selected BofA Custom Baskets* (as of 19-Jun-26)

Basket	Ticker	BRI Basket	Ticker	BRI Basket	Ticker	BRI Basket	Ticker	BRI Basket			
APAC		US Building Products	MLBUID	0.49	EU AI Power Surge	MLEURGE	0.84	APAC Smart Glasses	MLAPSMGL	0.91	
US TMT Momentum Factor	MLUPTMOM	0.98	US High Default Risk	MLHDFLX	0.48	EU HALO Basket	MLEHALO	0.82	IPV Winners Depreciation	MLHOPFX	0.90
US Exporters	MLUXPORT	0.95	US Boosters (Cyclicals)	MLBOOSTR	0.48	EU stocks China expo	MLD1CHEX	0.81	Korea Corporate Reform	MLHOKRPR	0.90
US TMT Memory Basket	MLUMEMOR	0.95	US Soft Landing	MLSLAND	0.47	EU Consensus Longs	MLD1LSEU	0.79	APAC SG	MLHAPSG	0.90
US 800V DC Transition	MLUBOV	0.91	US High Quality Yield	MLHQYLD	0.47	EU High USD Exposure	MLEUAMER	0.79	Taiwan AI basket	MLHKTWAI	0.87
US AI Compute	MLUTCOMPU	0.91	US Value Factor	MLUPVALU	0.47	EU Cyclicals	MLEUCYCL	0.73	China OpenClaw	MLAPCLAW	0.81
US TMT Supply Shortage	MLUTMSHP	0.90	US AI Adopters	MLUAOPT	0.46	EU Copper Miners	MLEUCOPP	0.72	China Tariff	MLHGRFW2	0.81
US Cyclicals Ex Commods	MLCYCX	0.89	US Commercial Biotech	MLUSCBI	0.46	EU Exposed to US Consumer	MLEUSCON	0.71	China Robotics & AI	MLAPCHAI	0.78
US Data Center Builders	MLDATACB	0.89	US Weak Balance Sheets	MLWEAK	0.45	EU AI Adopters	MLEADOPT	0.70	Japan High EM Exposure	MLHGRICH	0.78
US Industrials Momentum Factor	MLUPMOMO	0.89	US Health Care Momentum Factor	MLUPHCHO	0.44	EU Steel	MLESTEEL	0.69	Japan Fiscal Impact	MLHGPJP	0.77
US AI Beneficiaries	MLUSA	0.89	US Defense Technology	MLDEFTEC	0.41	EU Ukraine Recovery	MLEURUKR	0.69	China Little Giants	MLHCHLGT	0.75
US Hardware	MLUSHRDW	0.89	US Bond Proxy	MLBOND	0.41	Italian Banks	MLEITBKB	0.68	Korea Tourism	MLHOKTSM	0.71
US SMID Cap Semis	MLSEMSM	0.88	US Consumer China Tariff Exposed	MLCTARCF	0.40	UK Banks	MLD1URBK	0.67	Japan Inflation	MLHJPFE	0.69
US Electric Grid Enablers	MLUGRID	0.86	US EU Exposed	MLUSEURO	0.40	EU Max Momo Top	MLEMOMOT	0.66	Korea Battery	MLKRBATT	0.69
US AI Infrastructure	MLAINFR	0.85	US Drone Ecosystem	MLUDRONE	0.38	EU Short Cycle Industrial	MLEINCY	0.65	China AI Supply Chain	MLAPASC	0.65
US Momentum Factor	MLUPMOMO	0.84	US Regulated Utilities	MLUREGU	0.37	EU Travel Basket	MLD1TRAV	0.65	Japan Cyclicals	MLHJPICY	0.62
US Managed Care	MLDIMGNC	0.83	US Consumer Goods	MLGOOODS	0.37	Industrial Manufacturing	MLEINMAN	0.63	Japan Corp Reform	MLHJPRE	0.61
US Hard Assets, Low Obsolesce (HALO)	MLUHALO	0.82	US Utility Growth Basket	MLUSGUTE	0.36	EU Stagflation	MLEUSTAG	0.63	Japan Domestic Upcycle	MLAPDUB	0.61
US National Champions	MLUCHAMP	0.81	US Consensus Value Shorts	MLDMSVL	0.35	EU Security DEIS	MLEUDEIS	0.61	Greater China Robotic	MLAPHUMA	0.56
US Beta Factor	MLUPBETA	0.81	US Middle Income Spend	MLUMIDCG	0.34	German Infrastructure	MLEGEINF	0.61	Japan Industries	MLAPPIN	0.56
US China Importers	MLCHIMP	0.80	US Software	MLUSSOFT	0.34	EU Cyclical Chems	MLECCHEM	0.59	APAC World Cup	MLAPWCP	0.54
US PMV Sensitive Industrials	MLINDUS	0.80	US Domestic Revenue	MLDOMREV	0.34	EU New Energy Order	MLEUNEDE	0.58	APAC Airline	MLHFTA	0.53
US Financials Momentum Factor	MLUPFINM	0.78	US Golden Dome Basket	MLUGDOME	0.34	EU HPF Debt	MLEUEBT	0.58	APAC Nuclear	MLHNRCL	0.49
US Transports	MLTRANS	0.76	US Nuclear Energy Exposed	MLUNUCL	0.33	EU Capital Goods	MLD1CAPG	0.57	Australian Mining	MLHALUMN	0.49
US Reshoring Basket	MLRSHORE	0.76	US AI Orchestra Basket	MLAIORC	0.33	Oil & Gas ex-Renewables	MLD1OLX	0.56	Japan Exporter to the US	MLAPREP	0.47
US Copper Exposed Basket	MLUSCOPP	0.76	US Low Income Spend	MLSPIREE	0.33	EU Max Gas Exp	MLD1GASX	0.56	Japan Saranomics	MLAPPSA	0.46
US Cyber Security Basket	MLCYBS	0.75	US Old Economy	MLLODECE	0.32	French Domestic	MLD1FRAN	0.52	Korea Defense	MLHGRDF	0.45
US Space Race	MLSPACE	0.73	US High End Consumer	MLDHEC	0.32	EU Consumer Discretionary	MLEUCONS	0.51	APAC Petrochem	MLAPCHEM	0.43
US Cyclical Industrials ex AI	MLUCICAI	0.73	US Higher Oil Price 'At-Risk'	MLOILRSK	0.32	EU Tariff Exposed	MLETARIF	0.47	APAC AI Infrastructure	MLAPAIIF	0.43
US Consensus High Beta Shorts	MLDHBSP	0.72	US Pharma Hyperscalers Basket	MLPHRHP	0.32	EU M&A	MLEUNMAC	0.47	APAC EV	MLHAPEN	0.41
US Renewables	MLUSRNEW	0.72	US Medicaid	MLELECHC	0.31	EU Consensus Shorts	MLD1MSEU	0.45	Japan Engagement	MLAPPAT	0.35
Canada Infrastructure & Defense	MLCANINF	0.71	US Commodities Complex	MLCOMMOD	0.31	EU Luxury	MLEULUXG	0.45	China Property	MLCONPROP	0.33
US Leisure Travel	MLDLEIS	0.71	US Consumer Services	MLSERV	0.31	UK Doms ex-Homebuilders	MLUKDOMX	0.43	APAC Coal	MLAPCOAL	0.27
US Defense, Energy, Infra & Security	MLDDEF	0.71	US Defense Electronics	MLDEFLEC	0.30	EU Renewable Utilities	MLEURNEW	0.43	Japan NSEA	MLHNRSEA	0.24
US Efficient Growth	MLUEGROW	0.71	US SMID Cap Utilities	MLUSUTES	0.30	EU Sovereign Priority	MLEUSCVR	0.41	APAC Oil exposed	MLAPOL	0.23
US Battery Ecosystem	MLUBATT	0.70	US Strong Balance Sheets	MLSTRNG	0.28	EU Max Momo Bottom	MLEMOMOS	0.38	China SOEs	MLHCSOE	0.20
US Staples Momentum Factor	MLUSTMOM	0.69	US Generation Z Basket	MLUGENZ	0.28	EU European Domestic	MLEUDOMS	0.37	Japan Defense	MLAPDEF	0.16
US TMT Profitable Growth	MLUTPTPG	0.68	US LNG	MLUELNG	0.27	EU Russia Exposed	MLEURUSS	0.35	APAC Shipping	MLAPSHIP	0.11
US Consensus Growth Shorts	MLUPENMO	0.68	US Energy Momentum Factor	MLUPENMO	0.27	Gold Miners	MLD1GLDM	0.35	HK Dual Listed H-shares	MLHHPREM	0.10
US TMT Durable Compounds	MLUTDTC	0.67	US Consensus Large Cap Shorts	MLDISRT	0.25	UK M&A Candidates	MLUKMNC	0.35	Japan Defensives	MLHJPDF	0.10
US Boomers Spend	MLUBOOM	0.67	US Defense Contractors	MLDEFCON	0.24	EU Cyclical Exp to US	MLECYCUS	0.35	Japan Electric Power	MLJPTEL	0.09
US No Landing	MLNLAND	0.67	US Stagflation	MLSTGLB	0.24	UK Domestic Names	MLUKDOMS	0.34	China High Dividend Yield	MLAPCHV	0.09
US Retail Signal	MLRETAIL	0.66	US Utility Defensive Yield	MLUSUTE	0.22	Germany Domestic	MLEGEDOM	0.32	China Anti Inflation Basket	MLAPANTI	0.08
US Discretionary Momentum Factor	MLUPDMO	0.65	US Wellness Basket	MLUWELL	0.20	EU Defense	MLD1DEF	0.31	Japan Retail	MLAPRE	0.07
US NeoCloud Basket	MLUNEOCL	0.65	Brazil Election Basket	MLBZELC	0.20	EU Defense Electronics	MLEDEFEL	0.29	Korea Export ex Auto/Tech	MLHGRXP	0.05
US Consensus Small Cap Shorts	MLDISRT	0.64	US Private Equity Funds	MLDPRTE	0.19	EU Defensives	MLEDEFES	0.28	China Internet	MLHCHINT	0.04
US Low Int. Coverage	MLINTC	0.64	US True Defensives	MLTRUDEP	0.18	UK Consumer	MLD1UKCS	0.24	China Consumption Stimulus	MLAPCHST	0.03
US Foreign Revenue	MLFORE	0.62	US Water Ecosystem	MLUWZO	0.17	EU Software	MLESOFTW	0.16	Japan Wage Growth	MLHJPWAG	0.03
US Power Supercycle	MLUSPOWER	0.61	US Independent Power Producers (IPPs)	MLUPIPPS	0.16	UK Housebuilders	MLUKHOMB	0.14	China National Brand	MLHGRVNM	0.03
US Quantum Computing	MLQUANT	0.59	US Alternative Managers	MLUALTS	0.16	EU Autos	MLEUAUTO	0.13	APAC Gold	MLHGRGOLD	0.02
US Quality Factor	MLUPQUAL	0.59	US Defensive Industrials	MLUDINDU	0.15	EU Defence Exposed	MLEINDEF	0.10	China Consumer New	MLAPHKCN	0.02
US Residual Volatility Factor	MLUPVOLA	0.57	US Growth Factor	MLUPGROW	0.10	APAC			China Consumer Old	MLHGRCHO	0.01
US Hard Landing	MLHLAND	0.57	US Private Credit Proxy	MLPRCRED	0.07	Japan Mgmt Transformation	MLAPACJA	0.98	Macau Gaming	MLHMACGM	0.01
US Materials Momentum Factor	MLUPMAMO	0.56	US GLP-1 Disruption Risk	MLGLP1	0.04	Japan Tariff Exposed	MLAPPTTR	0.98			
US Refinance Risk	MLREFIN	0.53	US TMT Defensives	MLUTMTDF	0.01	AJ Inflation	MLHAXAF	0.95			
US Crypto Exposed	MLDCRIPP	0.51	EU Semis & Semis	MLD1EUSM	0.94	IPV Winners Appreciation	MLHJPPIA	0.95			
US Long Term Debt Maturities	MLTRMATS	0.51	EU Semis & Semis	MLD1EUSM	0.94	China Technology Localization	MLHCHTLC	0.94			
US Small Cap Farmers	MLSMCAFM	0.50	EU Memory	MLEUBYTE	0.85	Korea Holdco	MLAPKHO	0.93			
US New Construction	MLNCONST	0.50	EU Power Grids	MLEUGRID	0.84	Japan GPF	MLHJGPF	0.91			
Domestic Tax Policy	MLUTAXD	0.49	European Reflation	MLD1REFL	0.84	APAC AI Beneficiaries	MLHAPAI	0.91			

Source: BofA Global Research. Data as of 19-Jun-26. *Disclaimer: These BofA baskets are proprietary baskets structured and maintained by the BofA Securities trading desk. For more details on these baskets, please contact the team. See BofA disclaimer in Exhibit 8.

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The BofA strategists note that today's reflexive markets continue to create upside risk in US tech as investors chase momentum and want to avoid missing out on owning an AI-enabled future. However, with sharp pullbacks being a key feature of bubble builds, the bank recommends the use of options and vol-based structures as better-positioned to navigate this environment with less risk. In this context, the derivatives team likes:

- Long QQQ call spreads, which offer asymmetric upside exposure with limited risk while being cheaper than outright calls (whose premiums can be unpalatable today given the sharp rise in vol) and benefiting from relatively flat call skew.
- NDX higher, rates higher and/or NDX higher, EURUSD lower hybrids, which exploit attractive implied correlation entry points to provide ~60% cheapening vs vanilla calls
- QQQ expanding put spreads, which can mitigate strike risk and reset protection levels higher as the market rallies. For those looking to cheapen such resettable strike options

further, BofA likes adding an up & in contingency to the structure (which can offer ~50% discounts).

- Owning gamma in high BRI stocks, which continues to perform well and positions for the elevated realized vol that typically follows such bubble-like instability.

Having suggested several broad trades, BofA next drills down on a specific recommendation urging clients to hedge AI downside risk via long QQQ Dec26 \$600 (~14d) put vs short SPY \$600 (9d)

Why does BofA prefer Nasdaq as the fulcrum bubble hedge? Several reason:

The Nasdaq-100 has surged ~32% since end of March (nearly 2x the SPX's ~18%), and the bank's traders see scope for further outperformance should the AI trade continue to drive the narrative for risk assets. Moreover, Nasdaq's new index methodology with fast-entry for megacap IPOs (which was ruled out for the SPX) gives the NDX an edge over the SPX in gearing it even further to the fortunes of the AI trade, especially given an AI-heavy IPO pipeline in the coming months.

At the same time, Bank of America's derivatives traders warn that the pace/ferocity of the NDX rally is starting to unsettle some investors, and understandably so, as sharp drawdowns and quick snapbacks are typical features of how bubbles form and extend. For those looking to remain long the AI theme while managing downside risk, the bank recommends the abovementioned Dec26 QQQ–SPY relative value put switch to the list of trades in this domain.

Now, the QQQ vs SPY 6m ATMf vol spread sits above the recent (last 3m) realized vol spread (Exhibit 20), but better value emerges when looking at put options. Indeed, for OTM puts, the implied vol spread is tighter, both relative to ATMf and to calls (Exhibit 21).

Exhibit 20: The QQQ vs SPY ATMf vol spread sits only slightly above the latest realized vol spread

QQQ-SPY 6m ATMf implied vol spread vs 3m realized vol spread.



Source: BofA Global Research, Bloomberg, Data from 19-Jun-15 to

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Exhibit 21: Better value can be found in OTM puts, where the implied vol spread is tighter than at ATMf and vs calls

Current QQQ-SPY 6m implied vol spreads vs the latest 3m/1m realized vol spreads

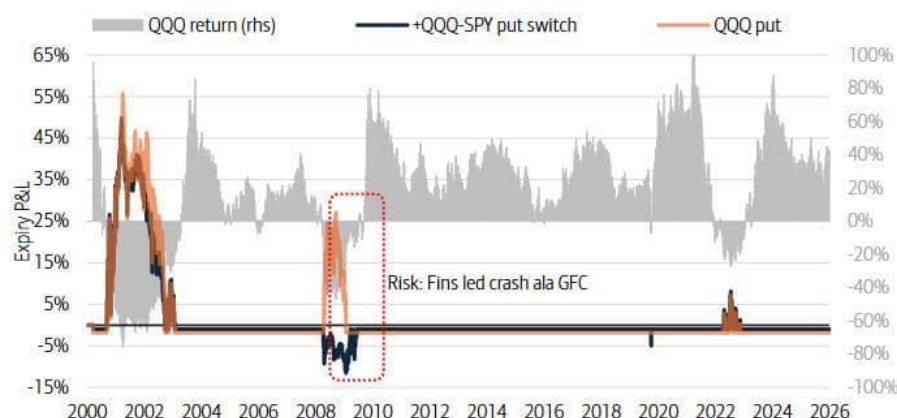


Source: BofA Global Research, Bloomberg, Data as of 18-Jun-26.

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The next chart shows that at current levels, the hypothetical backtest of a QQQ vs SPY Dec26 equivalent put switch would have delivered positive P&L during the Dotcom bubble era (2000) as well as the 2022 drawdown, for a ~4.3x reward-to-risk ratio.

Exhibit 22: Setting aside the risk of (say) a financials led selloff, a Dec26 QQQ-SPY put switch saves ~50% in initial cost while offering >4x in reward to risk, based on history
Hypothetical backcast (using current option prices) of long Dec26 QQQ 14d (81.3%) put and short Dec26 SPY 9d (80.6%) put, held to expiry, compared to the long QQQ put outright and rolling QQQ returns (rhs)



Source: BofA Global Research. Data: Mar-99 to Jun-26. This performance is backtested & does not represent the actual performance of any account or fund. Back-tested performance depicts the theoretical (not actual) performance of a strategy over the time period indicated. No representation is being made that any actual portfolio is likely to have achieved returns similar to those shown herein.

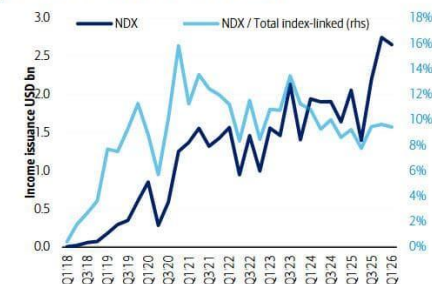
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Why Dec26? Higher gamma to midterm risks & less autocallification impact

Nasdaq-linked income issuance has grown materially in recent years, exceeding \$2.5bn per quarter and now accounting for ~10% of total index-linked income issuance.(Exhibit 23). At the same time, NDX-linked autocalls (autocallables are an equity-linked structured investment that pays a high regular income, provided the underlying asset (like the Nasdaq) stays above a certain threshold. If the asset hits or exceeds a predefined price on scheduled dates, the investment automatically matures early and returns your full principal) are also entering the mainstream via the ETF route, with growth outpacing other autocall ETFs, which themselves are among the fastest-growing segments of the ETF industry (Exhibit 24).

Exhibit 23: NDX income issuance has grown significantly in recent years, exceeding \$2.5bn/quarter and now accounts for ~10% of total index-linked income issuance

Quarterly issuance of income structured products linked to the NDX, and NDX's share of total index-linked income issuance.

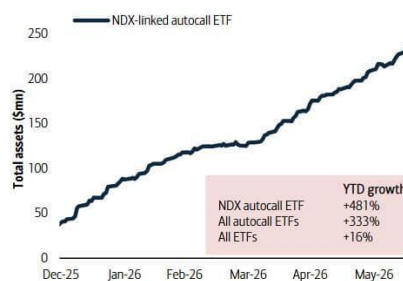


Source: BofA Global Research, Bloomberg. Data from 1-Jan-18 to 31-Mar-26. For multi-underlying structures, we allocate notional equally across all constituents by dividing the total notional by the number of underlyings and assigning the resulting amount to each underlying. Structured products reported here exclude open-ended products and warrants.

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Exhibit 24: NDX-linked autocalls are also entering the mainstream via the ETF route, with growth outpacing other autocall ETFs which themselves are among the fastest growing segments of the ETF industry

Total assets (\$mn) of NDX-linked autocall ETFs since the start of 2026

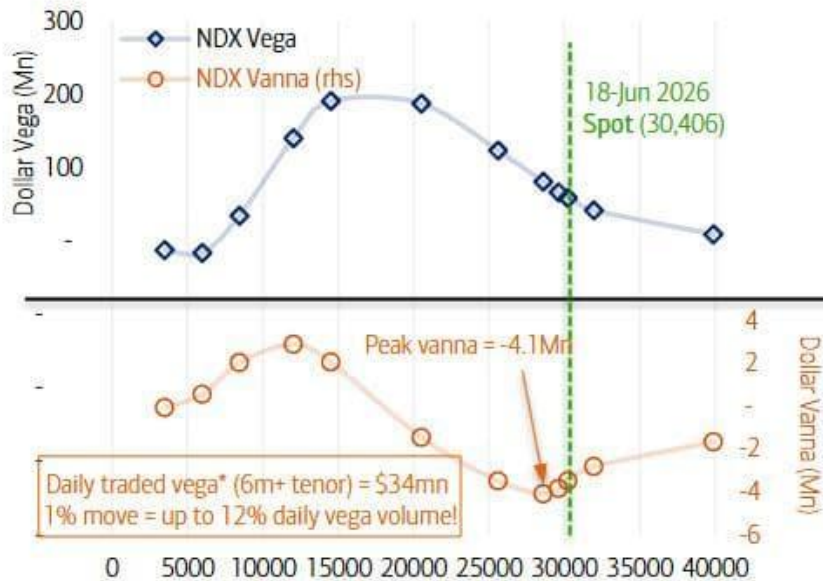


Source: BofA Global Research, Bloomberg. Data: 30-Dec-25 to 18-Jun-26

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This matters for choosing option tenors for fixed strike NDX protection. The rise in structured product activity has increased the impact of dealer hedging flows on long-dated NDX vol. BofA notes that while peak vanna in NDX is only around half of that in SPX, it still represents a meaningful share (~12%) of total listed vega traded across NDX and QQQ options (for 6m+ tenors), making these flows an important driver of long-dated volatility (Exhibit 25; for reference, SPX share is ~4%).

Exhibit 25: Peak vanna in NDX sits ~6% below current spot, and represents roughly ~12% of the daily (listed) vega traded
Vega/Vanna profile of live NDX-linked structured products



Source: BofA Global Research, SPI, part of WSD, Bloomberg. Vega derived from the universe of products live as of 14-May-26. Vanna calc using adjacent vega values. *Daily traded vega = 1m avg, aggregated across NDX and QQQ US.

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In practice, this hedging tends to dampen OTM put vol as spot declines toward peak vanna (currently only ~6% below spot), contributing to flatter long-dated put skew. Both effects have been visible recently: on 5 June, when NDX fell ~5% (its largest drawdown since Liberation Day), longer-dated fixed-strike vols declined (Exhibit 26), with the result that long-dated put vols have become positively correlated with spot (Exhibit 27).

Exhibit 26: Autocallification appears visible in NDX fixed-strike vols; during the recent ~5% pullback (the sharpest since 'Liberation Day'), long-dated vols broadly declined, particularly for OTM puts.

NDX 1-day change in fixed-strike vols, from 4-Jun to 5-Jun.

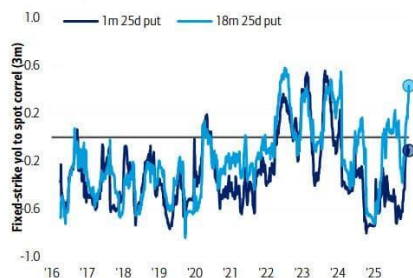


Source: BofA Global Research, Bloomberg. Data from 4-Jun-26 to 5-Jun-26.

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Relative to SPX, these autocallification effects appear more pronounced in NDX, with a more positive spot-vol correlation and flatter put skew.

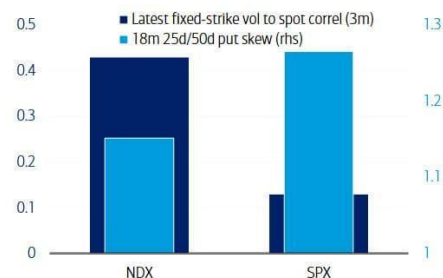
Exhibit 27: NDX long-dated fixed-strike vols have recently turned positively correlated with spot
3m rolling realized correlation between changes in 1m/18m 25d fixed-strike vols and NDX spot returns.



Source: BofA Global Research, Bloomberg. Data from 20-Jun-16 to 18-Jun-26.

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Exhibit 28: Signs of autocallification appear more pronounced in NDX than in SPX: spot-vol correlation is more positive and put tail skew is flatter.
NDX vs SPX. LHS: 3m rolling realized correlation between changes in 18m 25d fixed-strike vols and spot returns. RHS: put tail skew measured as 18m 25d/50d put vol ratio.



Source: BofA Global Research, Bloomberg. Data from 20-Mar-26 to 18-Jun-26.

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Against this backdrop, choosing Dec-26 allows for greater gamma exposure to nearer-term catalysts (such as midterm elections), while reducing exposure to the abovementioned autocall-driven vol dampening effects that can hurt fixed strike long put trades further out the curve.

More in the [full BofA report](#) available to [pro subs](#).