

CW 24/2026 | LBBW Research | Strategy/Macro

ECB moves ahead with rate hike

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Bond Market Movers – Review and Outlook

What drove the bond markets last week?

- U.S. President Trump has once again claimed that the long-awaited U.S.-Iran agreement to reopen the Strait of Hormuz is imminent. There has been no confirmation from Iran so far. Meanwhile, the ceasefire between the two countries has remained fragile. The military skirmishes have been continuing in Lebanon as well.
- As expected, the ECB raised its deposit rate by 25 basis points to 2.25%. The staff projections for inflation for this year and next are higher than they were in March.
- The U.S. jobs report for May exceeded all expectations. Average employment growth over the past three months reached 188,000, the highest level since March 2024.
- U.S. inflation rose to a rate of over 4% in May. Energy prices have once again been the main driver, while the core rate remained just below 3%.
- The latest auction of 10-year U.S. Treasury notes saw slightly above-average demand. Meanwhile, demand for 10-year Bunds at the latest auction was the strongest since January.

What could drive the market next week?

- Developments in the Middle East are set to remain the main driver of the financial markets. Is a peace agreement really within reach this time?
- The Federal Reserve is holding its first meeting under the leadership of Kevin Warsh. It is widely expected that key interest rates will remain unchanged. The focus will be on the new "dot plot" and possible indications of a change in the Fed's balance sheet policy.
- The central banks of the United Kingdom and Switzerland are also very likely to leave their key interest rates unchanged. In contrast, Japan's monetary authorities are heading for their first rate hike since December 2025.
- As to the macroeconomic calendar, the focus will be on U.S. retail sales for May and, on this side of the Atlantic, the ZEW Economic Sentiment Index.
- In the primary market for U.S. Treasury securities, the focus next week will be on the tap of the 20-year T-Bond. Meanwhile, activity in the primary market for euro-denominated government bonds is set to remain at an above-average level. We expect gross issuance to range between 35 and 40 billion euros, compared to 38 billion euros the previous week. Given moderate reflows, net cash flows are set to remain well in negative territory.

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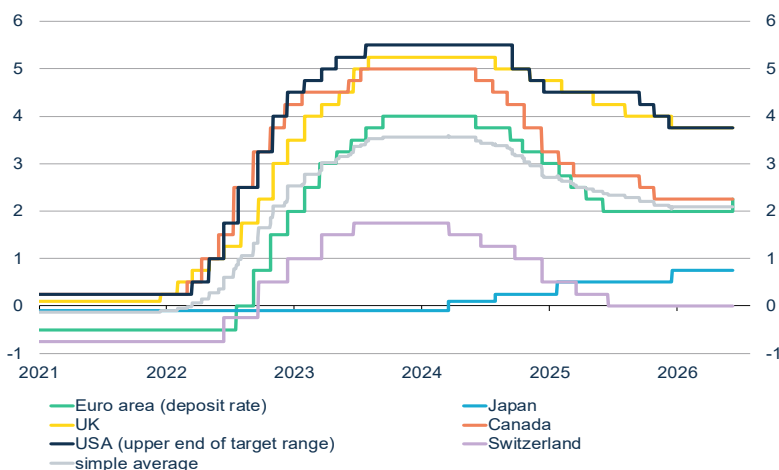
ECB moves ahead with rate hike

Eurozone policymakers are striving to send a balanced message regarding next steps

The ECB has been the first of the major central banks to raise its key interest rates in response to the energy price shock triggered by the war in Iran. Central bankers are particularly concerned about how long the effective blockade of key commodity shipments through the Strait of Hormuz will last. So far, the dreaded second-round effects of inflation have been suggested mainly by surveys. However, the risk that these factors will materialize later this year in the form of a rising core inflation rate is growing as the stalemate in negotiations over the reopening of the strait continues. The updated ECB staff projections reflect both this growing risk of persistently elevated inflation and increasing headwinds for the euro area economy. This presents the eurozone's monetary authorities with a monetary policy dilemma. Simply letting the external price shock run its course could erode the anchoring of inflation expectations and, as a result, damage the ECB's credibility. However, applying the monetary policy brakes too harshly would risk plunging the eurozone's ailing economy into a recession, which could excessively dampen the medium-term inflation outlook.

Chart of the Week

Key interest rates for selected economic regions



Source: Bloomberg, LBBW Research

Against this backdrop, ECB President Lagarde, in our view, sought to strike a balanced tone regarding further monetary policy moves following the latest interest rate decision. On the one hand, the door is open for further tightening of monetary policy. The longer it takes for the Strait of Hormuz to become safe for navigation again, the greater the pressure to act is likely to become. On the other hand, Ms. Lagarde did not fuel speculation about a series of interest rate hikes. It appears that monetary policymakers will now take some time to assess the latest data. The latter argues against an interest rate hike at the next meeting of the Governing Council at the end of July.

Given the indications that the ECB's monetary tightening campaign would be relatively moderate, euro-denominated government bond prices moved largely sideways on a week-over-week basis. The yield on 10-year German government bonds mostly hovered just above the 3% mark. In our view, the mixed sentiment can be attributed to several factors. On the one hand, after a week marked by military skirmishes, a breakthrough agreement between the U.S. and Iran to open the Strait of Hormuz finally seems within reach again. At least if one is to believe

ECB sees growing risk of second-round effects

Deposit rate rises for the first time since fall 2023

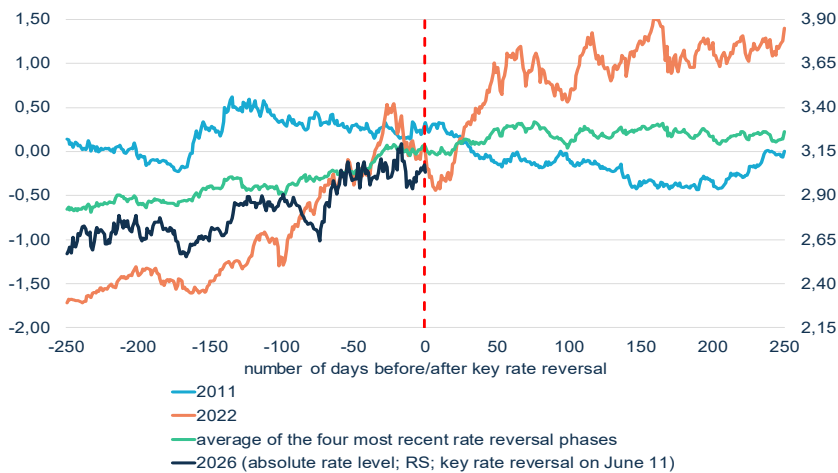
At the July meeting, it seems that wait and see may be the order of the day, again

Donald Trump's statements on the matter – and financial market participants seem quite willing to do so. It remains to be seen, however, to what extent the ongoing fighting in Lebanon will once again pose an obstacle to resolving the conflict.

On the other hand, investors may be keeping in mind how the bond market has performed during historical periods of key rate reversals. On average, during the four previous ECB rate-hiking cycles, the yield on 10-year German government bonds continued to rise after the initial rate hike, albeit at a slower pace than in the months leading up to that hike (see the chart below). According to our analysis, the 10-year benchmark yield rose by an average of about a quarter of a percentage point in the first six to twelve months following the start of the tightening phase.

Government bond yields were rising moderately as the ECB raised key rates

Yield on 10-year German government bonds and cumulative change in yield during historical ECB rate hiking cycles (0 = first hike)



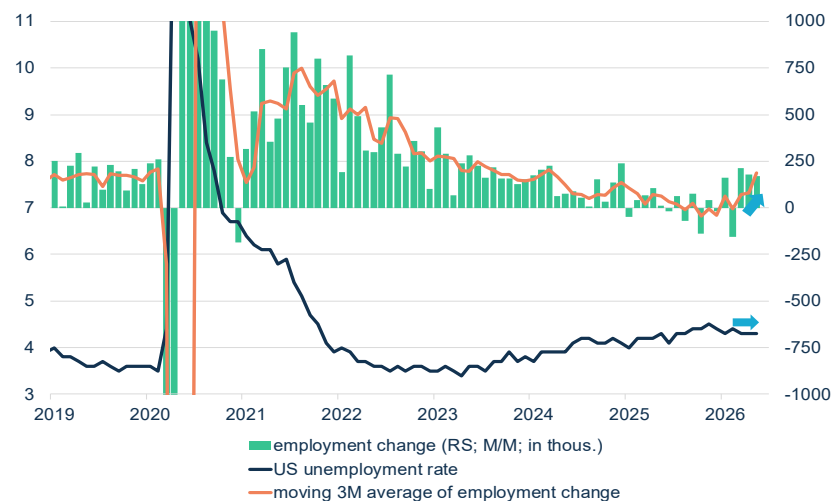
Source: Bloomberg, LBBW Research

Strong U.S. jobs report fuels speculation about a Fed hike

In addition, the US bond market saw bearish momentum toward the end of last week, driven primarily by an unexpectedly strong US jobs report. In May, job growth came in at 172,000 (month-over-month), exceeding even the most optimistic analyst estimates.

U.S. jobs report paints an unexpectedly positive picture

U.S. employment growth (MoM, in thousands) and unemployment rate



Source: Bloomberg, LBBW Research

Significant upward revisions to the previous month's figures also contributed to the three-month moving average of employment growth surging

Is a U.S.-Iran agreement finally in sight?

Government bond yields tend to rise modestly on average following ECB's rate reversals

US employment has been growing faster than expected

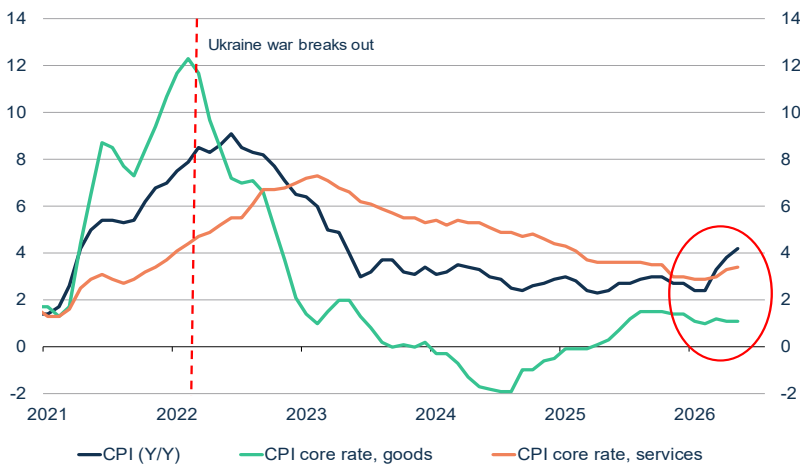
to its highest level since March 2024 (see chart above). From the perspective of the Federal Reserve, the past very subdued labor market performance has served as a monetary policy counterweight to rising inflation. The previous concerns about employment - and, consequently, the justification for potential further interest rate cuts by the Fed – now appear to have largely dissipated in light of the latest labor market data. This makes it all the more likely that the surge in inflation triggered by the war in Iran will become the main focus of the Federal Reserve’s monetary policy.

Outlook: Spotlight on Kevin Warsh and the "dot plot" – BoJ set for another rate hike

In our view, it clearly is unlikely that the U.S. monetary authorities will seriously consider tightening monetary policy at the highly anticipated first meeting chaired by Kevin Warsh (June 17; see the article on page 12). U.S. consumer price data for May did not, on the whole, serve to further fuel inflation fears. Core inflation remained stable, after accounting for positive base effects, because the surge in rent prices recorded the previous month turned out to be a statistical outlier. Second-round effects resulting from the energy price shock have thus been largely absent so far. For the time being, this gives the Fed room to maintain a wait-and-see approach.

Inflation back above 4%, but core rate has remained largely stable

U.S. Inflation (Y/Y) with selected subcomponents



Source: Bloomberg, LBBW Research

Nevertheless, the strong labor market data has fueled expectations among U.S. bond market participants that a Fed rate hike is on the agenda for the second half of 2026. The USD money market is pricing in an 80% probability of a 25-basis-point rate hike by the end of 2026. In our view, the market’s reaction to the upcoming Fed decision will likely depend on whether the Fed fuels these “hawkish” expectations. First, we suspect that investors will be paying particular attention to the new Fed chair’s wording. Before taking office, Kevin Warsh frequently sought to downplay inflation risks by pointing to productivity gains driven by artificial intelligence. If he were to stick to the latter approach, this would suggest that Jerome Powell’s successor is likely to strive to avoid tightening monetary policy as long as possible.

Second, the Fed’s new interest rate projections will be the focus of attention. In our view, it is virtually certain that the previous suggestion of another rate cut by the end of 2026 will be taken off the table. Investors are likely to be particularly interested in how large the group of central bankers is who favor an interest rate hike this year. In our view, limited support for a policy turnaround would likely dampen market speculation on this topic, whereas a strong minority in favor of a rate hike would likely

Monetary policy
“counterweight”
to high inflation
is fading

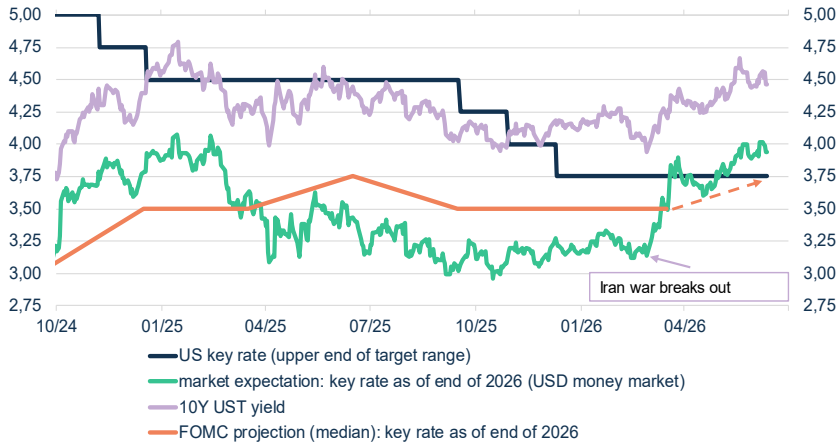
Moderate core
inflation allows
the Fed to stick
to a wait-and-see
approach

Will Warsh
dampen rate hik-
ing speculations?

reignite bearish sentiment in the bond market. Meanwhile, we see potential signals from the Fed regarding a reversal in its balance sheet policy as an additional risk factor for the U.S. Treasury market. Given his preference for a leaner balance sheet, Kevin Warsh is presumably aiming for the latter in the medium term.

The Fed is likely to back away from further rate cuts this year

Fed policy rate and market expectations as at the end of 2026, as well as yield on 10-year U.S. Treasuries



Source: Bloomberg, LBBW Research

Meanwhile, the “week of central banks” will be rounded out by interest rate decisions from the BoE and SNB (both on June 18) as well as the BoJ (June 16). While central banks in the UK and Switzerland are likely to follow the wait-and-see approach of their U.S. counterparts, Japan’s central bank is poised to raise interest rates once again. BoJ Governor Ueda recently hinted at an imminent increase in the key interest rate to 1%, the highest level since the summer of 1995, thereby reinforcing financial market participants’ expectations in this regard.








The macroeconomic calendar is likely to take a back seat once again in the coming trading week, as market participants are expected to focus their attention on the Fed and on developments in the Middle East. The key macroeconomic highlights in what is otherwise a relatively light week for data include U.S. retail sales for May (June 17) and, on both sides of the Atlantic, the first leading economic indicators for June.

"Dot Plot": How much support will there be for higher rates?

The BoJ is set to raise its key rate to 1%

Macro data: Focus on U.S. retail sales

Forecasts at a Glance

Euro Area		Spot	30.09.26	31.12.26	30.06.27
ECB Main Refinancing Rate		2,40	2,65	2,90	2,90
ECB Deposit Rate		2,25	2,50	2,75	2,75
Overnight Rate (€STR)		1,93	2,45	2,70	2,70
3M Euribor		2,40	2,55	2,80	2,80
Swap 2Y		2,83	2,95	3,05	2,95
Swap 5Y		2,86	3,05	3,15	3,10
Swap 10Y		3,05	3,25	3,35	3,30
Bund 2Y		2,63	2,75	2,90	2,85
Bund 5Y		2,72	2,90	3,05	3,05
Bund 10Y		3,00	3,20	3,35	3,35
Swap/Bund 2Y		20	20	15	10
Swap/Bund 5Y		14	15	10	5
Swap/Bund 10Y		5	5	0	-5
Spread BBB Corporates/Bund		93	130	125	120
USA		Spot	30.09.26	31.12.26	30.06.27
Fed Funds Target Rate		3,75	3,75	3,75	3,75
Overnight Rate (SOFR)		3,59	3,65	3,65	3,65
3M Money Market		3,66	3,75	3,75	3,65
Swap 2J (SOFR-OIS)		3,93	3,90	3,90	3,65
Swap 5J (SOFR-OIS)		3,92	3,95	3,95	3,80
Swap 10J (SOFR-OIS)		4,07	4,20	4,25	4,10
Treasury 2Y		4,07	4,05	4,10	3,85
Treasury 5Y		4,19	4,25	4,30	4,15
Treasury 10Y		4,47	4,65	4,75	4,65
G5		Spot	30.09.26	31.12.26	30.06.27
Japan	Overnight Rate (TONAR)	0,73	1,05	1,05	1,30
Japan	10Y Government Bond	2,66	2,75	2,80	2,85
UK	Overnight Rate (SONIA)	3,73	3,95	4,20	4,20
UK	10Y Government Bond	4,91	5,00	5,15	5,00
Switzerland	Overnight Rate (SARON)	-0,04	-0,05	-0,05	-0,05
Switzerland	10Y Government Bond	0,41	0,50	0,55	0,55
FX		Spot	30.09.26	31.12.26	30.06.27
EURCHF		0,9216	0,92	0,93	0,94
EURCNY		7,8240	8,22	8,17	7,94
EURGBP		0,8633	0,85	0,85	0,85
EURJPY		185,48	187	186	182
EURUSD		1,1569	1,20	1,22	1,24
USDCHF		0,7966	0,77	0,76	0,76
USDCNY		6,7626	6,85	6,70	6,40
GBPUSD		1,3401	1,41	1,44	1,46
USDJPY		160,32	156	152	147
Economic Development		2024	2025	2026e	2027e
	Germany				
	GDP	-0,5	0,4	0,3	0,8
	Inflation	2,3	2,2	3,0	2,5
	Euro Area				
	GDP	0,9	1,5	0,8	1,0
	Inflation	2,4	2,1	3,0	2,5
	UK				
	GDP	1,0	1,3	0,8	1,3
	Inflation	2,5	3,2	2,8	2,4
	USA				
	GDP	2,8	2,1	2,2	1,6
	Inflation	3,0	2,7	3,8	2,2
	Japan				
	GDP	-0,2	0,4	0,6	0,8
	Inflation	2,7	2,2	2,0	1,8
	China				
	GDP	5,0	3,7	3,5	3,2
	Inflation	0,2	0,0	1,2	1,5
	World				
	GDP	3,2	3,3	2,7	2,8
	Inflation	3,5	3,4	3,8	3,0

Changes to the foregoing week are marked by a (*)

Sources: LSEG, Bloomberg, LBBW Research

Main Events of the Past Week

- *Global Economy*: IMF Managing Director Georgieva warns that the global economy must build “foundations” capable of withstanding increasingly frequent shocks – she notes that the spread of artificial intelligence represents a major transformation, and that the IMF must not fail to address a potential rise in inequality.
- *Middle East Conflict*: U.S. President Trump claims that the remaining points of contention regarding the agreement with Iran to end the war, which has been the subject of speculation for weeks, have been resolved, and that a final agreement is imminent – there has been no confirmation from Iran so far – Instead, semi-official Iranian media outlets speak of “various outstanding issues.”
- *Middle East Conflict*: Meanwhile, the ceasefire between the U.S. and Iran has remained fragile – Israeli military strikes in Lebanon lead to renewed direct military confrontation between Iran and Israel – U.S. President Trump initially attempted to de-escalate the situation, but this was followed by fresh threats of massive military strikes.
- *Middle East Conflict*: According to media reports, the political relationship between Israeli Prime Minister Netanyahu and U.S. President Trump is becoming increasingly strained – their respective objectives regarding Iran are increasingly at odds – and Netanyahu is reportedly “under certain circumstances” willing to risk launching new attacks on Iran without U.S. support.
- *Middle East Conflict – Energy Price Crisis*: According to media reports, the number of tankers transporting crude oil through the Strait of Hormuz bypassing Iran’s de facto blockade has been on the rise – tankers are reportedly turning off their tracking devices to remain undetected; the U.S. military appears to be supporting these “covert voyages” – The volume of oil transported is now reportedly around 2 million barrels per day.
- *Geopolitics*: The U.S. House of Representatives passes a package of aid and loans for Ukraine against the wishes of U.S. President Trump – 20 Republican lawmakers vote in favor of the initiative put forward by the opposition Democrats – The resolution also includes a clear U.S. commitment to the NATO alliance.
- *Geopolitics*: Ukraine Agrees with European “G3 Countries” on a “Five-Point Plan” for Lasting Peace with Russia – Call on Russian President Putin for an immediate ceasefire and negotiations on a peace treaty – current front line to serve as the starting point for negotiations – “robust and legally binding” security guarantees for Ukraine demanded – the U.S. and Europe should each be actively involved in the negotiations.
- *Geopolitics*: Heads of government from eight Northern European and Baltic countries have called for Ukraine to join the EU as soon as possible – they also support Ukraine’s path toward NATO membership.
- *Geopolitics*: According to media reports, U.S. President Trump wants to purchase the strategically important Chagos Archipelago in the Indian Ocean – the main island, Diego Garcia, is currently controlled by the United Kingdom under a lease agreement, and the U.S. and the U.K. jointly use the military base there – Trump’s plans to purchase the archipelago threaten to strain relations with the United Kingdom.

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The situation in the Middle East remains unclear

Ukraine and EU countries present a five-point plan

- **Monetary Policy – ECB:** As expected, the ECB Governing Council concludes the first key interest rate hike since 2023 – The deposit rate rises by 25 basis points to 2.25% – Central bankers reaffirm a data-dependent approach and decisions “on a meeting-by-meeting basis” – ECB staff projections foresee higher inflation for 2026 (3.0% instead of 2.6%) and 2027 (2.3% instead of 2.0%), Forecast for 2028 at 2.0% – GDP growth forecasts for 2026 and 2027 each marginally lowered – Risks for inflation remain tilted to the upside and for growth to the downside – Lagarde: interest rate hike was not an “insurance move.”
- **Monetary Policy – Japan:** BoJ Governor Ueda fuels speculation about an imminent rate hike – Ueda warns against reacting too late to a “highly likely” rapid rise in inflation following the war in Iran – next BoJ interest rate decision is scheduled for June 16.
- **Monetary Policy – Canada:** BoC repeatedly leaves key interest rate unchanged at 2.25% – current key rate level has been in place since October 2025 – Central bankers note monetary policy dilemma stemming from economic weakness and rising inflation – two-sided risk assessment maintained – Interest rate cuts could resume if trade dispute with the U.S. intensifies – Interest rate hikes may be necessary if elevated inflation persists.
- **Germany – Economy:** Factory orders fell by 3.8% (m/m) in April, following a 4.5% increase in March – with both domestic orders (-2.9%) and foreign orders (-4.2%) declining significantly.
- **Germany – Energy Price Crisis:** The German government has rejected calls to extend the so-called “gasoline discount” beyond June – citing the high costs to the strained budget and the temporary stabilization of the market – though new measures to curb prices may be implemented if the situation in the Middle East escalates again.
- **U.S. – Economy:** The ISM index for the services sector improved in May from 53.6 to 54.5 points – new orders were viewed much more positively – the price component rose slightly, reaching its highest level since August 2022.
- **U.S. – Labor Market:** Employment growth significantly exceeds expectations in May – 172,000 jobs added (M/M), following a significant upward revision to +179,000 in April – Cumulative upward revision of nearly 100,000 for previous months – Unemployment rate remains at 4.3% – Hourly wages rise by 0.3% (M/M), following +0.2% in the previous month.
- **U.S. – Inflation:** Price pressures at the consumer level increased for the third consecutive month in May – Headline inflation rose to 4.2% (y/y), up from 3.8% in April – highest level since April 2023 – Energy prices again the main driver – Core rate rises slightly, from 2.8% to 2.9%.
- **U.S. – Inflation:** The rise in producer prices accelerated to 6.5% (y/y) in May, slightly more than expected, after 5.7% in April – sharpest increase since November 2022 – while the core rate remained just below 5%.
- **China – Economy:** Exports surged by 19.4% (Y/Y) in May, following a 14.1% increase in April – with exports to Southeast Asia rising particularly sharply.
- **China – Inflation:** Inflation remained at 1.2% (Y/Y) in May, while the core rate fell from 1.2% to 1.1% – Meanwhile, the rise in producer prices accelerated to 3.9% (Y/Y), the biggest jump since July 2022, up from 2.8% the previous month.
- **EU – Budgetary Rules:** The European Commission decided to allow greater flexibility in the use of additional deficit margins for defense, which will not count toward the limit set by the Stability Pact – as a result, member states may spend 0.3% of GDP annually on the energy transition through 2028 – However, the Commission makes it clear that additional leeway may not be used to subsidize fossil fuels.

ECB raises the deposit-facility rate to 2.25%

German government to phase out "gasoline discount"

U.S. inflation above 4%, core rate just under 3%

- *EU – Enlargement Process:* Chancellor Merz calls for “quick results” regarding the accession process for various Western Balkan countries – French President Macron emphasizes that enlargement is important for geopolitical reasons – Montenegro is currently considered the next EU accession candidate, possibly in 2028.
- *Oil market:* OPEC+ member countries decided to continue taking gradual steps to raise their production target – accordingly, member countries’ output is set to increase by an additional 180,000 barrels per day in July.

Merz wants EU enlargement in the Western Balkans

Next Week's Data

TIME	COUNTRY		PERIOD	LBBW FORECAST	CONSENSUS FORECAST ¹⁾	LAST VALUE ²⁾	IMPORTANCE
FRIDAY, 12.06.2026							
08:00	GE	CPI (Y/Y) (final)	May	2,6	2,6	2,6	*
16:00	USA	Uni Michigan Consumer Confidence (prelim.)	Jun	47,0	46,0	44,8	***
16:30	EMU	Bundesbank President Nagel speaks					**
	FIN	Rating Review Finland (Moody's®)					**
SUNDAY, 14.06.2026							
	CH	Referendum on migration cap					**
19:00	GE	German team starts into Football Championship					
MONDAY, 15.06.2026							
09:15	EMU	ECB President Lagarde speaks					***
11:00	EMU	Industrial Production (M/M)	Apr	0,2	0,3	0,2	**
11:00	EMU	Trade Balance (bn EUR)	Apr	-	-	3,5	*
14:30	USA	Empire Manufacturing Index	Jun	10,0	12,5	19,6	**
15:15	USA	Industrial Production (M/M)	May	0,2	0,2	0,7	**
15:15	USA	Capacity Utilization (in %)	May	76,2	76,2	76,1	*
16:00	USA	NAHB Index	Jun	36	36	37	**
	G7	G7 Summit in France (till June 17)					***
TUESDAY, 16.06.2026							
04:00	CHN	Industrial Production (Y/Y)	May	4,5	4,3	4,1	*
04:00	CHN	Retail Sales (Y/Y)	May	-0,9	-0,5	0,2	*
11:00	GE	ZEW Index	Jun	0,0	-7,5	-10,2	**
14:30	USA	Housing Starts (thous.)	May	1430	1430	1465	**
14:30	USA	Building Permits (thous.) (prelim.)	May	1440	1428	1423	**
14:30	USA	Import Price Index (M/M)	May	-	-	1,9	*
	JPN	BoJ target rate		1,00	1,00	0,75	***
WEDNESDAY, 17.06.2026							
11:00	EMU	HICP (Y/Y) (final)	May	3,2	3,2	3,2	*
14:30	USA	Advance Retail Sales (M/M)	May	0,6	0,5	0,5	***
16:00	USA	Pending Home Sales (M/M)	May	-	-	1,4	*
20:00	USA	FOMC Interest Rate Decision		3,75	3,75	3,75	***
THURSDAY, 18.06.2026							
09:30	CH	SNB Interest Rate Decision		0,00	0,00	0,00	**
13:00	UK	BoE Interest Rate Decision		3,75	3,75	3,75	**
14:30	USA	Philadelphia Fed Index	Jun	12,0	12,0	-0,4	**
16:00	USA	Index of Leading Indicators	May	-	-	0,1	*
22:00	USA	Net Long-Term TIC Flow s (bn USD)	Apr	-	-	81,3	*
	EU	EU Summit of Heads of States and Governments					***
FRIDAY, 19.06.2026							
01:30	JPN	National CPI (Y/Y)	May	-	1,5	1,4	*
08:00	GE	PPI (M/M)	May	2,0	0,6	1,2	*

1) Consensus forecast according to Bloomberg/Reuters

2) Should a provisional estimate be available, it is stated instead of the reference figure of the previous period

Sources: Bloomberg, LBBW Research

Fed: All eyes on Kevin Warsh

Debut meeting of the new Fed Chairman

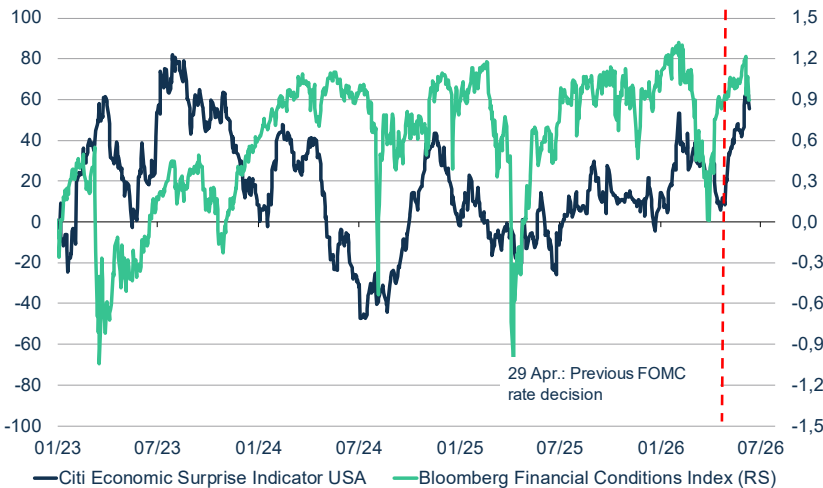
The change of baton at the head of the US Federal Reserve from Jerome Powell to Kevin Warsh was completed around a month ago. Next week, on June 16 and 17, the monetary authorities will meet for the first time under the leadership of their new chairman to discuss their monetary policy course. All the indications available in advance suggest that the outcome of this interest rate decision is unlikely to be controversial: The latest public statements from the ranks of central bankers largely underline that monetary policy is still "well positioned" in view of the current macroeconomic situation. Wait and see is therefore still the order of the day, i.e. the Fed's overnight target range is likely to remain unchanged at 3.50% to 3.75% for the fourth time in a row.

Shift in focus towards inflation risks?

Nevertheless, we believe that the upcoming meeting of the Federal Open Market Committee (FOMC) has the potential to provide the basis for a turning point in monetary policy. Firstly, we see strong indications that the US Federal Reserve will adjust its monetary policy assessment at an important point. At the April meeting, three regional Fed presidents had already spoken out against a formulation that implicitly expresses a bias towards further easing of monetary policy. This wording, a kind of "guidance", may either be adapted to a neutral stance or deleted completely. In our view, such an adjustment could go hand in hand with a shift in emphasis in terms of the distribution of monetary policy attention. Recently, the US monetary authorities have been concerned about inflation and employment in roughly equal measure. Since the April meeting of the FOMC, however, inflationary pressure in the US has increased noticeably, with headline inflation exceeding the 4% mark in May.

Economic environment improved since last Fed meeting

Citigroup Economic Surprise Index for the USA and Bloomberg Financial Conditions Index



Source: Bloomberg, LBBW Research

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Wait and see
remains the order
of the day

Still laying
the basis
for a policy
turnaround?

Economic
surprise as
positive as last
seen in fall 2023

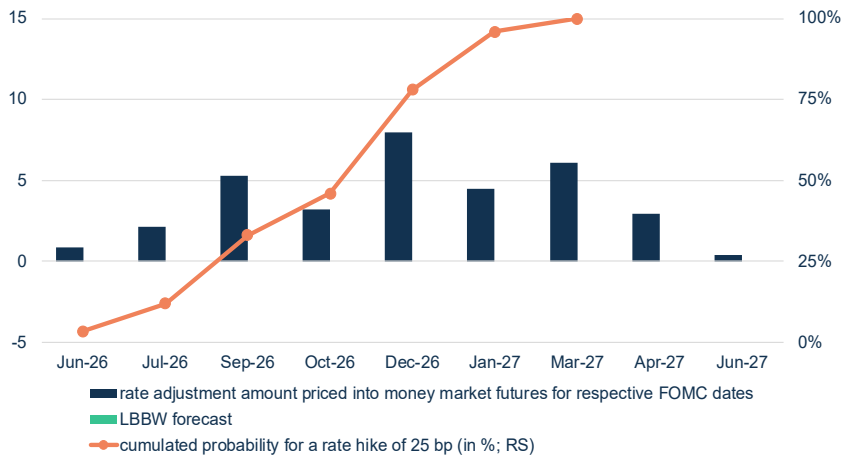
At the same time, employment growth unexpectedly picked up pace in the spring. There are therefore increasing signs that the US labor market has overcome the weak phase that motivated the Fed to cut interest rates three times in 2025. In our view, all of this suggests that the Fed will shift its attention towards the risk of inflation. The US labor market report for May was also part of a longer series of positive surprises from US economic data. The dominance of positive economic surprises in recent weeks was greatest since fall 2023. Meanwhile, the interim financial market turmoil in connection with the outbreak of the Iran war has completely dissipated according to the Bloomberg Financial Conditions Index (see chart above).

"Dot Plot: How many central bankers are in favor of higher interest rates?"

Secondly, the Fed's new interest rate projections will be creating suspense in the run-up to the upcoming FOMC meeting. In March, the US central bankers held out the prospect of one further rate cut for the current year. At that time, however, the consequences of the Iran war, which had just begun, were unlikely to have been factored into the outlook to any significant extent. In our view, a departure from the easing bias discussed above suggests that the "dot plot" will also shift upwards. The extent to which the "dot plot" deviates from its predecessor is likely to be a key factor in the financial markets' reaction to the Fed's decision. In recent weeks, the consensus on the USD rates market has increasingly shifted towards the scenario of one hike in the second half of 2026, as evidenced by money market forward rates. As the following chart shows, the forward rates are currently pricing in just over 30% of one 25 bp hike by September and a full one by the beginning of next year.

Market bets on interest rate hike by fall

Market expectation for key interest rate change per FOMC meeting (in bp) and cumulative probability of interest rate hike by 25 bp



Source: Bloomberg, LBBW Research

Should a majority of US monetary authorities adopt the view of the market consensus and consider higher key interest rates to be appropriate in the second half of the year, this would be a surprise in our opinion. We tend to assume that a neutral stance is capable of winning a majority, while a "hawkish" minority is set to position itself in favor of perspective tightening. If this minority is strong (at least one third), we believe that this could be enough to further fuel rate hiking speculation on the US bond market. The latter would apply in particular if the Fed's new inflation projections for 2026 and 2027 were to predict markedly higher inflation rates than in March.

Fed set to focus on inflation now

"Dot plot" likely to shift upwards

Market consensus tends to one rate hike by the end of 2026

The number of supporters of tightening will be decisive

Will Warsh flesh out his "rebuilding plans"?

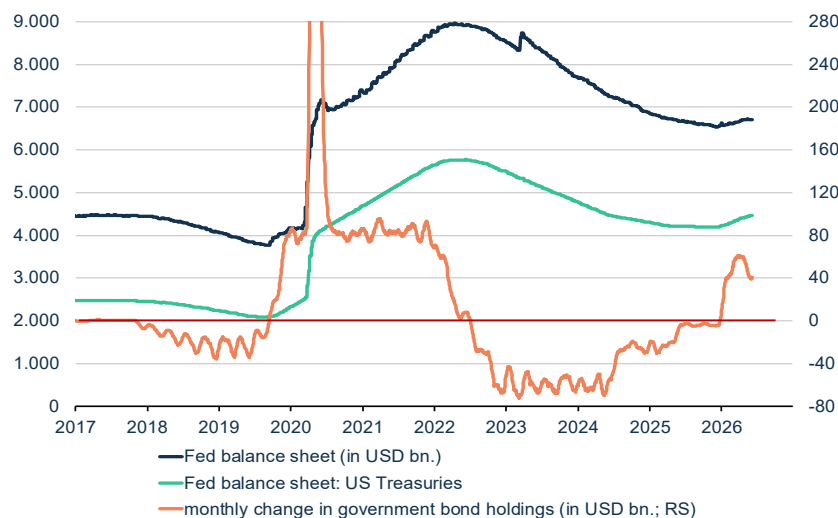
Thirdly, the press conference following the Fed meeting raises certain expectations that the new Chairman will provide more details on the plans for comprehensive reforms to the Fed's strategy and working methods that have been attributed to him. So far there have only been vague hints, which also touch on different subject areas. This applies, for example, to the Fed's communication with the financial markets and the public. Warsh would therefore like to return to more frugal communication. The number of public statements on monetary policy could therefore decline in the future. In our opinion, the regular press conferences following Fed meetings or the "dot plot" could also be up for discussion.

A "frugality" thrust might also apply to Warsh's other plans. The new Fed Chairman is therefore generally in favor of the central bank focusing strictly on its core tasks. In our opinion, the appointment of two advisors from conservative think tanks, who helped prepare Donald Trump's second presidency, points in this direction. This could address socio-political issues (keyword: "anti-wokeness campaign"). In our view, it is conceivable that Warsh will want to appease the President with activity in this area if the central bank continues to resist his demands for rate cuts.

Finally, from the perspective of the financial markets, we consider the question of the future size of the Fed's balance sheet to be particularly crucial. Kevin Warsh is a strong advocate of a significant balance sheet reduction. In contrast, the Fed's government bond holdings have increased again modestly since fall 2025, as the central bank has been smoothing out the interim distortions on the USD money market by purchasing short-dated treasury bills. The current amount is USD 25 billion per month (see chart below). In our opinion, an immediate cessation of (net) T-bill purchases could be the first sign of a fresh turnaround in balance sheet policy.

Fed balance sheet has been growing again since fall 2025

Fed balance sheet total, holdings of US government bonds and change in government bond holdings (in USD billion)



Source: Bloomberg, LBBW Research

Such an indication of future balance sheet contraction could cause renewed jitters on the US government bond market. We do stand by our assessment that the hurdles for large-scale quantitative tightening are relatively high. Last but not least, the "nexus" between balance sheet changes and the smooth functioning of the USD money market would have to be effectively capped. However, we believe a kind of "reverse operation twist" is conceivable, in which the Fed reduces its holdings of long-dated US government bonds and buys T-bills in return. Such an operation would probably provide an impetus towards a steepening of the yield curve.

Warsh advocates more frugal communication

Size of the Fed's balance sheet is crucial for the US bond market

Is a halt to the latest net buying imminent?

To wrap things up, though, we think that major programmatic announcements at the first Fed meeting under Kevin Warsh are basically unlikely. We are already looking ahead to the next edition of the annual Jackson Hole Symposium at the end of August.

We are looking
towards
Jackson Hole

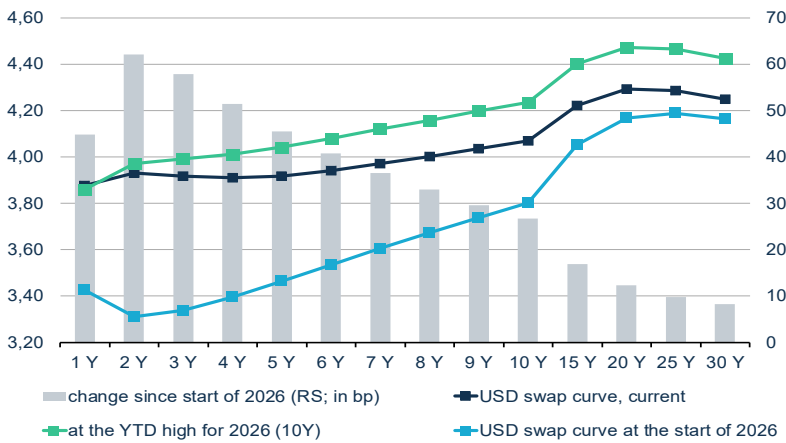
USD yield curve: Flattening trend overdone?

Q2 2026: New annual highs along the entire curve

The 2Y USD swap rate crossed the 4% mark in the first week of June. The interest rate level at the front end of the USD swap curve was last higher in the first quarter of 2025. During the current quarter, the USD yield curve not only reached new highs for the year in the front segment – rather, the consequences of the Iran war also caused a net upward reversal along the entire curve. However, it should be noted that the YTD upward shift was well above average in the maturity range up to five years. In some spots, this amounts to more than half a percentage point on balance. The ultra-long-dated swap rates provide a contrast to this in that the YT starting levels have only moderately been exceeded – even including further increases in recent weeks (see chart below).

Curve almost flat in the range up to five years

USD swap curve currently, at the beginning of 2026 and at the annual high



Source: Bloomberg, LBBW Research

Flattening has continued: Combination of "Iran shock" and robust US economy

The cumulative market development since the outbreak of the Iran war has led to significant changes in the shape of the USD yield curve. The overriding direction to date has been that of a flattening curve. While the steepness was still positive along the entire curve at the beginning of the year, the swap curve is currently almost flat in the maturity range up to five years. Although the positive slope remained in the rear segment, its extent has now decreased noticeably. If we look at the 10Y-2Y slope of the US government bond curve, we can see that it has almost halved since the beginning of the year to around 40 bp. The interest rate gap between the two ends of the curve was last smaller in March 2025. With regard to the steepness, it can therefore be stated: The consequences of the Iran war have effectively leveled out significant parts of the steepening movement caused in spring 2025 by the market turbulence in the wake of Donald Trump's tariff policy. However, we believe it is important to emphasize that this is not about a "factual" withdrawal of the market development caused by the tariffs policy: The steepening at that time was mainly driven by the long end of the USD yield curve, while the "Iran shock" applied the leverage at the short end. In fact, looking at the past three months, the following chart underlines a very close correlation between the 10Y-2Y spread on the US Treasury curve and market players'

Strongest rise
YTD for the 2Y
USD swap rate

30Y swap rate
only just above
the starting level
for the year

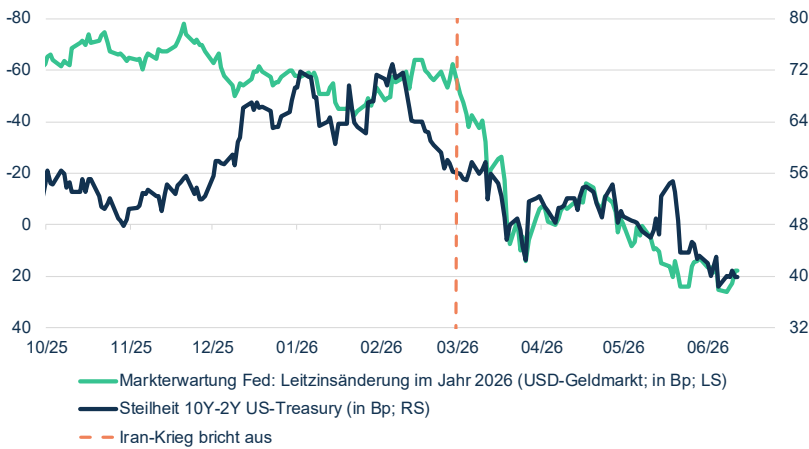
10Y-2Y UST
almost halved
YTD

Iran war was the
starting point, ...

expectations regarding the development of US key interest rates. Growing investor speculation about rising Fed key interest rates in the second half of 2026 was therefore the main reason for a second flattening spurt since the beginning of May. While in April the steepness had temporarily bottomed out.

Growing interest rate hiking speculation fuels flattening

10Y-2Y US Treasury spread and market-implied extent of cumulative Fed interest rate change in 2026

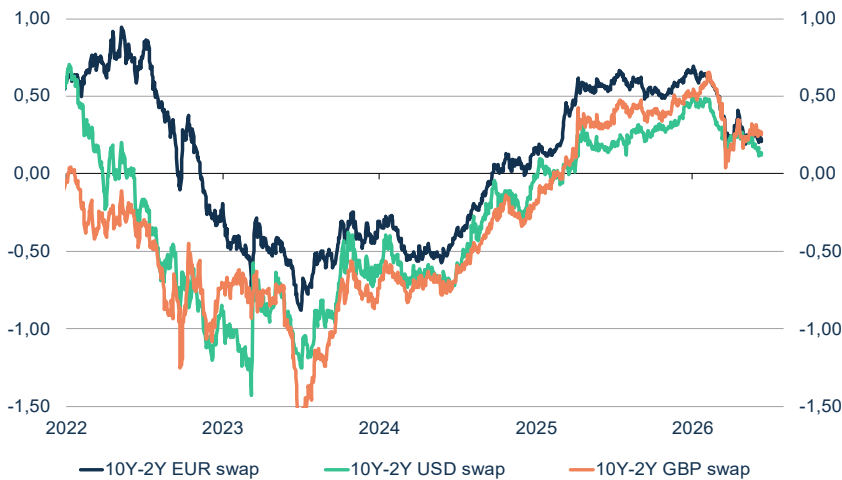


Source: Bloomberg, LBBW Research

In our opinion, this "second push" is no longer directly related to the Iran war. This statement goes back to the fact that the steepness of the EUR yield curve has not reached any new annual lows in recent weeks. In our opinion, the robust state of the US economy, most recently illustrated by the labor market report for May, makes the difference. The latter is likely to have contributed significantly to a continued upward adjustment of key interest rate expectations on the USD interest rate market.

Stronger flattening pressure in the USA now than in Europe

Slope 10Y-2Y for selected yield curves



Source: Bloomberg, LBBW Research

Flattening largely exhausted or just beginning?

From a chartist perspective, the steepness of the EUR yield curve on the one hand and the USD yield curve on the other therefore tell different stories. In the eurozone, the flattening spurt initiated by the Iran war appears to have been exhausted in view of the bottoming out of the past two months. In the USA, on the other hand, the flattening trend could pick up speed again. In our opinion, which interpretation will prevail will depend on whether and to what extent the major central banks feel compelled to tighten their monetary policy in the coming months. As expected,

... but most recently, a robust US economy has fueled flattening

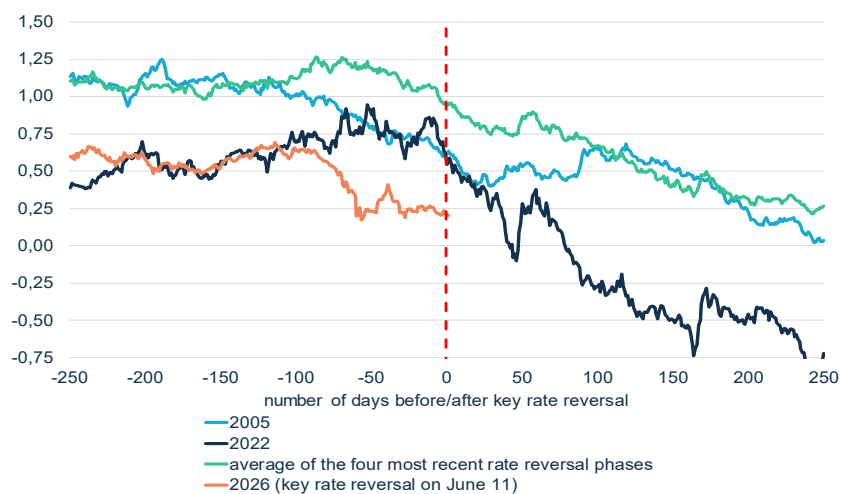
USD swap curve slightly flatter than EUR swap curve

Chartist view: Different conclusions for US and EMU

the ECB initiated a turnaround towards higher key interest rates in the eurozone yesterday. At this point, the historical cycle analysis comes with a clear message in terms of steepness: The probability of a continued flattening seems high, as in the first twelve months after the rate turnaround the spread 10Y-2Y EUR swap fell by around 70 bp on average over the four most recent key rate cycles (see chart below).

Rate hiking phases brought significant flattening

Spread 10Y-2Y EUR swap in historical key rate reversal phases



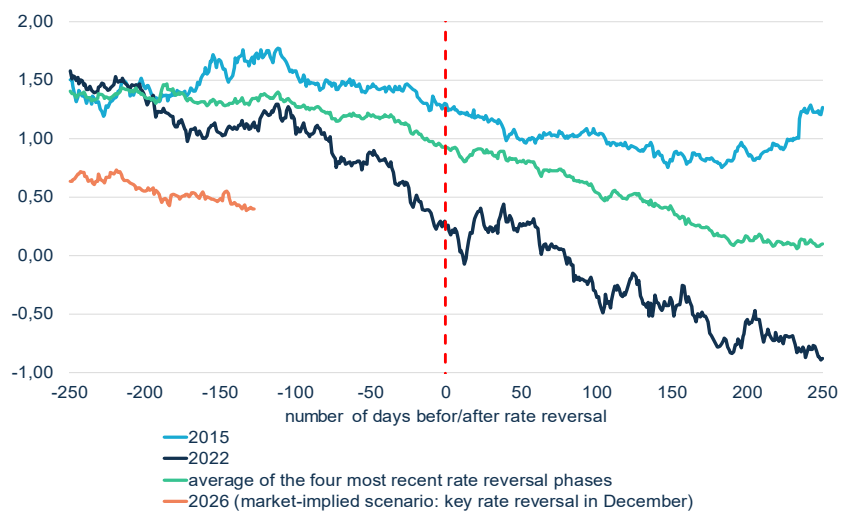
Source: Bloomberg, LBBW Research

However, if the absolute value of the slope is also taken into account, the picture appears less clear. The EUR curve is currently much flatter than at the start of historical interest rate hikes. The current value of the spread 10Y-2Y EUR swap (20 bp) was only reached on average around twelve months after the initial interest rate move.

Cycle analysis:
Strong flattening
in phases of
rising key rates

Rate hiking phases brought significant flattening

Spread 10Y-2Y US Treasury in historical key rate reversal phases



Source: Bloomberg, LBBW Research

The findings of the historical cycle analysis are similar for the USD interest rate market. The current market consensus scenario, according to which the Fed will tighten its monetary policy towards the end of 2026 (see the article on page 12), suggests that the 10Y-2Y slope on the US Treasury curve could fall by almost half a percentage point by December. However, the following also applies here: The current steepness (40 bp) is already 50 bp lower than the average starting value in historical key rate turnaround phases.

Yield curve
already flatter
than at the start
of historical
tightening phases

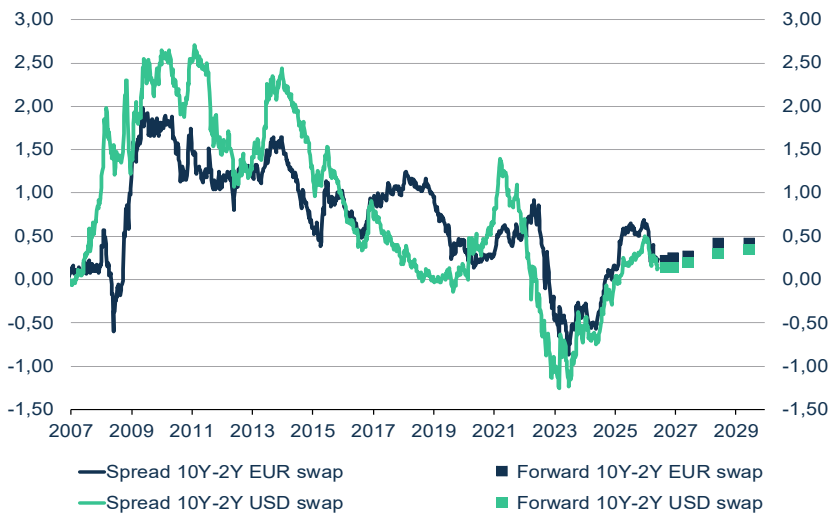
Outlook: If the Fed fails to usher in a rate turnaround, the signs are pointing to steepening

The historical cycle analysis underlines the potential for a continued marked flattening of yield curves on both sides of the Atlantic in the coming months. However, we assume that this potential will only materialize if the major central banks tighten their monetary policy more than the financial market consensus currently anticipates. With regard to the ECB, we believe that the market expectation of one or two further interest rate hikes is more or less appropriate. The potential for a continued cyclical flattening on the EUR yield curve appears to be moderate on this basis. In the medium term, we believe that the arguments in favor of a moderate (re)steepening still weigh heaviest, as we expect term premiums to rise at the long end.

With regard to the Fed, we believe that a tightening of monetary policy in the second half of this year is by no means a foregone conclusion. If the US monetary authorities instead continue to keep their feet still beyond the summer, the extent of the recent flattening of the yield curve is likely to prove excessive. For the time being, we are betting that the "term premium" factor will also drive up the steepness on the other side of the Atlantic in the medium term. As the following chart shows, the forwards for the 10Y-2Y spread on both the EUR swap curve and the USD swap curve are currently implying a bottoming out, followed by a moderate medium-term widening. In our main scenario, we certainly see a little more upside potential for the steepness, especially in the USD interest rate market. However, the downside risks should not be neglected in the event that the energy price crisis comes to a head again and forces the slope of the curve onto the path indicated by historical cycle analysis.

Forwards imply uniform trend for USA and EMU

Spreads 10Y-2Y swap with forward slopes



Source: Bloomberg, LBBW Research

**EUR yield curve:
Slight steepening
remains
our main scenario**

**USD yield curve:
Flattening over-
done, but do not
underestimate
the "downside"!**

**10Y/2Y:
Forwards signal
steeper curves
over a three-year
horizon**

Credit Strategy

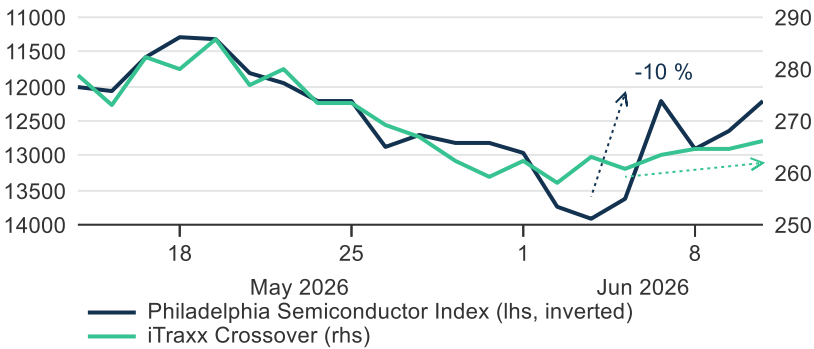
Credit Markets Hold Firm

Spreads remain very stable despite numerous market disruptions

European credit markets have shown little movement in recent trading days. Neither the renewed escalation in the Iran conflict nor the ECB's interest rate hike triggered any significant market impact. Even a temporary 10% drop in semiconductor stocks failed to affect the spreads. Let's hope this consistency continues in the coming weeks.

Little change in spreads after drop in semiconductor stocks

iTraxx Crossover vs. Philadelphia Semiconductor Index (inverted)

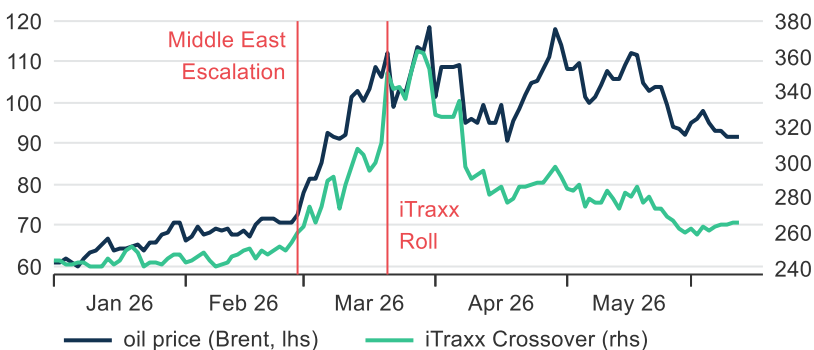


Source: LSEG, LBBW Research

It seems that developments in the Strait of Hormuz are being given less and less attention. In the beginning, the near doubling of oil prices had sent shockwaves through the credit markets: At its peak, HY spreads widened by about 100 basis points. After more than 100 days of war, however, the constant ups and downs in hopes for peace are having little negative impact on the credit markets. While oil prices continue to fluctuate sharply at elevated levels, CDS spreads are now only slightly above pre-war levels – especially when the roll effect is factored out.

Spreads are back to pre-crisis levels, but oil prices are not yet

iTraxx Crossover vs. Oil Price (Brent)



Source: LSEG, LBBW Research

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Drop in semiconductor stocks has no impact on spreads

Oil prices remain volatile at elevated levels

Spreads are decoupled from oil price

No sign of a dynamic recovery

After German new orders in the manufacturing sector rose by 4.5% M/M in March, a decline followed in April, as expected. The number of orders fell by 3.8% M/M, reflecting the fact that caution remains widespread. Nevertheless, on an annual basis, new orders remain slightly up (+1.5% Y/Y). After three weak years from 2022 to 2024, demand is on the rise again year-over-year, particularly from abroad (+4.8%).

New orders expected to decline

German industrial orders (month-over-month, %)

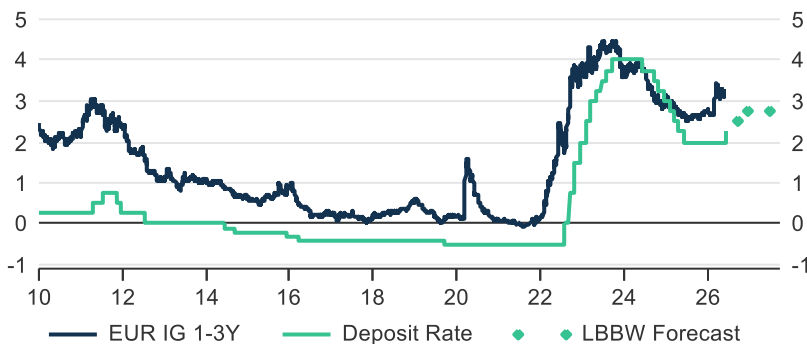


Source: LSEG, LBBW Research

What had already been becoming apparent in recent weeks has now actually come to pass: The Governing Council of the ECB raised key interest rates by 25 basis points yesterday. This increase had already been factored into corporate bond yields in advance. In particular, the sharp rise in inflation expectations is likely to have played a key role in this.

Corporate bond yields move in tandem with key interest rates

EUR IG Corporate Bond Yields vs. ECB Deposit Rate



Source: LSEG, LBBW Research

Much of this is factored into the price, but risks remain

Yesterday's ECB decision was just the beginning – more steps will follow. As such, monetary policy is not providing any tailwind for corporates at this time. However, two further rate hikes are already largely priced in. The future rise in corporate bond yields should therefore be limited.

However, the current spread level is already extremely low and, in our view, offers little room for further narrowing. In the medium term, we see a greater risk of a widening in the event of economic disappointments or further setbacks in the stock market. We therefore continue to favor a more defensive strategy with an overweight position in IG bonds relative to HY.

Volatile order intake

New orders are declining, again, after a strong increase

The rate hike had already been priced in

In addition, further hikes are already priced in

IG maintains an "overweight"

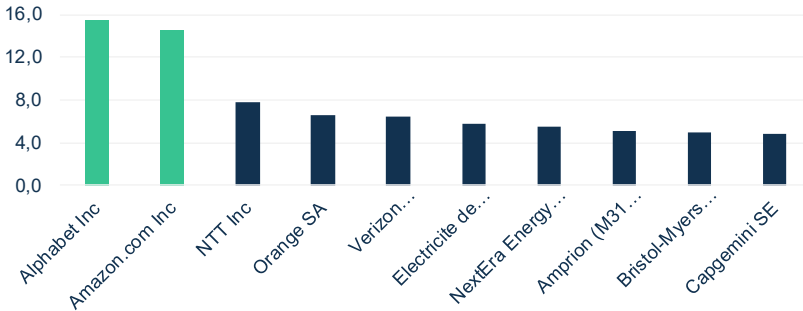
Rising AI funding through EUR corporate bonds

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Major US tech companies are increasingly turning to the bond market to finance their substantial investments in AI. They raise the largest amount of funds in US dollars on their home market. However, hyperscalers are also raising substantial sums in other currency areas, particularly in euros. Alphabet and Amazon have issued the highest volume in EUR corporate bonds over the past twelve months.

Top 10 companies by new EUR bond issues (LTM)

Volume in billions of euros over the past 12 months



Source: Bloomberg, LBBW Research

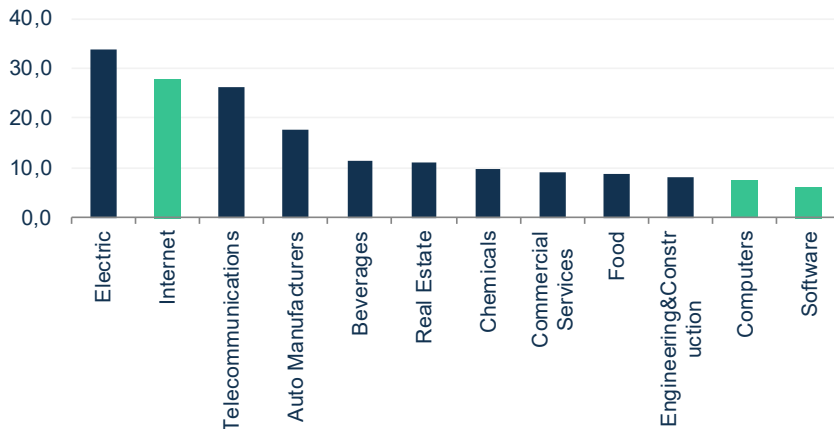
Amazon entered the euro bond market for the first time in March 2026. In this debut, the tech giant capitalized on strong investor demand: The US group issued a record total of eight bonds with maturities ranging from two to 38 years in a single transaction, raising a record volume of €14.5 billion. The beer company Anheuser-Busch had held the previous record of €13.25 billion for almost exactly 10 years.

In early May 2026, Alphabet, Google's parent company, followed suit with the fourth-largest transaction in history, worth over €9 billion. In the previous year, 2025, Alphabet had already completed two major transactions worth €6.75 billion (in April) and €6.5 billion (in November).

Thanks to the high volume generated by the two tech giants, the internet sector has surged to the forefront in terms of new issue volume in the euro market.

Sectors with highest volume of new EUR bond issues (LTM)

Volume in billions of euros over the past 12 months



Source: Bloomberg, LBBW Research

For 2026 (January to May), the Internet sector even ranks second with almost €28 billion, just ahead of the heavyweight Telecoms sector

AI companies issued highest volume

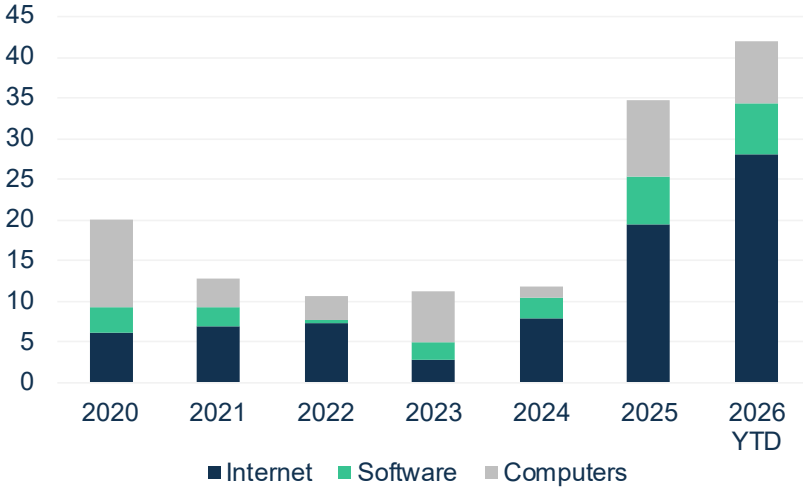
Amazon with record EUR transaction

Internet sector is making headway

(€26 billion). Together with Computer and Software, the tech sector accounted for 15% of the volume of new issues since the start of 2026. This represents a huge leap: Even in 2025, which was the tech sector's highest-emission year to date, the share stood at just 6%. Between 2020 and 2024, the share of the internet, software and computers consistently ranged between 3% and 4%. The following chart illustrates the significant increase in the volume of new issues from 2025 onwards:

New EUR issues in the tech sector

Volume in billions of euros



Source: Bloomberg, LBBW Research

Conclusion and outlook

Most of the rise was attributable to the US tech giants Amazon and Alphabet. From 2024 onwards, they occupy the top four spots in terms of large-scale corporate bond transactions in euros (Amazon in first place, followed by Alphabet, Google's parent company, in the three remaining positions). Given the continued high funding requirements for the massive AI investments being made by tech companies, this trend is likely to continue.

However, compared with the US stock market, where the tech sector accounts for a very high proportion of the market and dominates many indices, its share of the euro bond market remains modest. The tech sector proportion of the total volume of outstanding bonds is only 5%.

The tech share rises to 15%

Sharp rise in new issue volumes

For outstanding bonds the share is 5%, only

Calendar/Analytics

Developed Markets Overview

	2 Years			10 Years		
Euro Area	Yields	Spread	Change*	Yields	Spread	Change*
Bund	2,62			3,00		
Jumbo	2,90	28	7	3,41	41	3
Swap	2,82	20	1	3,04	5	0
Netherlands	2,61	-1	0	3,11	11	-1
Austria	2,68	6	4	3,24	25	0
France	2,79	17	3	3,75	76	10
Belgium	2,69	6	-1	3,54	55	-1
Italy	2,79	17	0	3,74	74	-2
Spain	2,69	6	1	3,42	43	-1
Ireland	n.a.	n.a.	n.a.	3,18	18	0
Portugal	2,60	-2	1	3,36	37	-1
Greece	n.a.	n.a.	n.a.	3,70	70	-1
EX. EURO AREA	Yields	Spread	Change*	Yields	Spread	Change*
USA	4,07	145	0	4,47	147	-2
Canada	2,77	15	-2	3,41	41	-2
Japan	1,42	-120	8	2,64	-35	1
UK	4,34	172	7	4,91	191	4
Switzerland	0,12	-251	3	0,41	-258	2

* Weekly change of the spread w.r.t. Bund w/w

Sources: Bloomberg, LBBW Research

Issuing Calendar Government Bonds

Date	Country	Type	Maturity	Coupon	Size	Comment
16.06.2026	Germany	OBL	04/31	2.50%	€ 5 bn.	Tap
16.06.2026	UK	UKT	10Y		GBP 4.25 bn.	Tap
16.06.2026	USA	T-Bond	05/46	5.00%	USD 13 bn.	Tap
17.06.2026	Germany	Bund	30Y		€ 2.5 bn.	Tap
18.06.2026	France	OAT	02/32	3.25%	€ 6 bn.	Tap
18.06.2026	France	OAT	09/29	2.40%	€ 6 bn.	Tap
18.06.2026	France	OAT€i			€ 2 bn.	
18.06.2026	Spain	SPGB	3Y - 30Y		€ 5.5 bn.	Tap
18.06.2026	USA	TIPS	04/31	1.25%	USD 26 bn.	Tap

CW 25: Italy to place new tranche of inflation-linked retail bond B TP Italia.

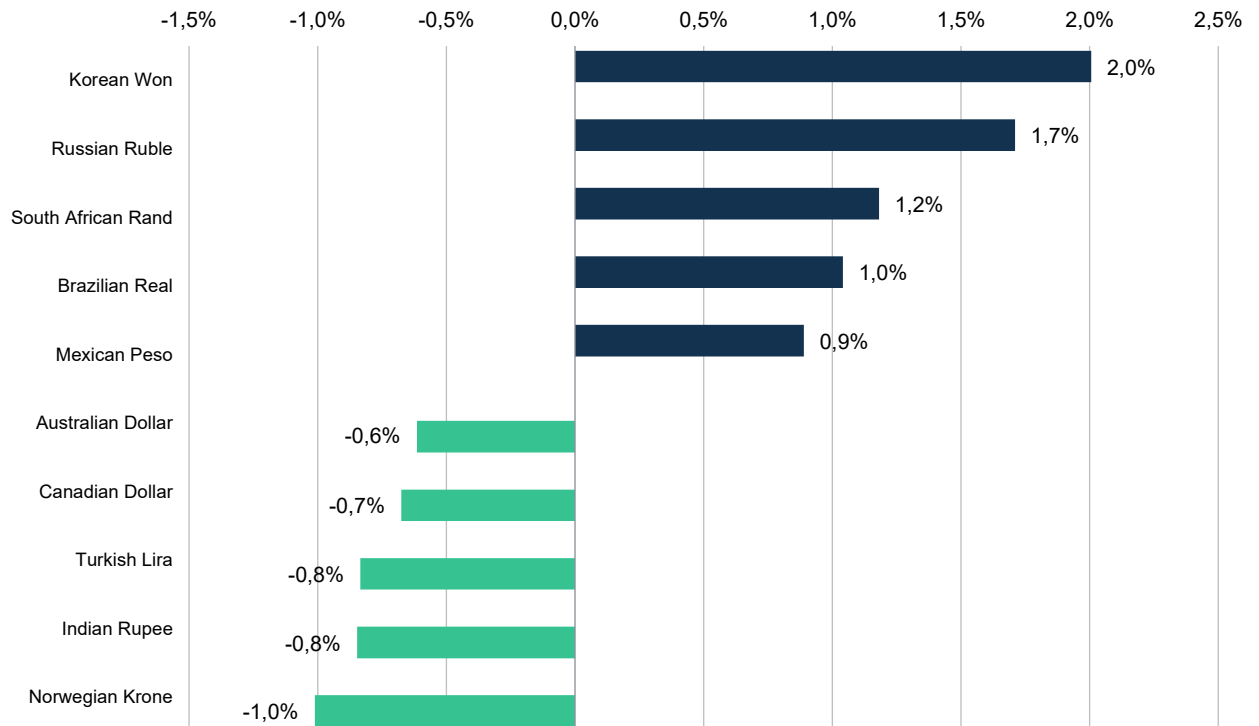
Sources: Bloomberg, LBBW Research

Central Banks and FX Monitor

Country	Next meeting	Current key rate	Latest change	Previous key rate	CPI YoY	6M trend	6M FX change ag. EUR	EUR-FX	6M EUR-FX Forward
Euro Area	23.07.26	2,25%	05.06.25	2,25%	3,2%	↗			
United States	17.06.26	3,75%	10.12.25	4,00%	4,2%	↑	1,5%	1,1569	1,1651
United Kingdom	18.06.26	3,75%	18.12.25	4,00%	2,8%	↘	1,7%	0,8630	0,8698
Japan	16.06.26	0,75%	19.03.24	0,50%	1,4%	↓	-1,4%	185,47	184,09
China	***	2,00%	25.09.24	2,30%	1,2%	↗	5,9%	7,82	7,75
Switzerland	18.06.26	0,00%	19.06.25	0,25%	0,6%	↑	1,4%	0,9214	0,9097
Argentina	***	29,00%	31.01.25	32,00%	33,1%	•	2,1%	1,654,72	1,860,86
Australia	16.06.26	4,35%	05.05.26	4,10%	3,2%	↗	7,3%	1,64	1,66
Brazil	17.06.26	14,50%	29.04.26	14,75%	4,4%	•	7,6%	5,90	6,20
Canada	15.07.26	2,25%	29.10.25	2,50%	2,8%	↗	0,0%	1,62	1,62
Czech Republic	18.06.26	3,50%	07.05.25	3,75%	2,1%	•	0,4%	24,17	24,31
Denmark	***	1,75%	06.06.25	2,00%	1,9%	↘	-0,1%	7,47	7,46
Hong Kong	***	4,00%	08.11.24	4,25%	1,7%	↗	0,8%	9,07	9,08
Hungary	23.06.26	6,25%	24.02.26	6,50%	1,8%	↓	8,9%	353,36	358,29
India	05.08.26	5,25%	06.02.25	5,50%	3,5%	↑	-3,9%	110,37	112,96
Indonesia	18.06.26	5,50%	20.05.26	4,75%	3,1%	↗	-5,6%	20.681,38	21.089,74
Mexico	25.06.26	6,50%	07.05.26	6,75%	3,9%	•	6,0%	19,96	20,41
New Zealand	08.07.26	2,25%	26.11.25	2,50%	3,1%	•	1,6%	1,99	1,99
Norway	18.06.26	4,25%	07.05.26	4,00%	3,1%	•	8,2%	11,00	11,11
Poland	08.07.26	3,75%	04.03.26	4,00%	3,1%	•	-0,6%	4,25	4,28
Romania	08.07.26	6,50%	07.08.24	6,75%	10,9%	↗	-2,8%	5,24	5,34
Russia	19.06.26	14,50%	24.04.26	15,00%	5,3%	↘	12,7%	83,36	89,41
Singapore	***	1,78%	n.a.	1,55%	1,8%	↗	2,0%	1,49	1,48
South Africa	23.07.26	7,00%	28.05.26	6,75%	4,0%	↗	5,1%	18,86	19,27
South Korea	16.07.26	2,50%	29.05.25	2,75%	3,1%	↗	-1,5%	1.760,47	1.764,60
Sweden	17.06.26	1,75%	23.09.25	2,00%	0,8%	↗	-0,5%	10,93	10,91
Turkey	23.07.26	37,00%	22.01.26	38,00%	32,6%	•	-6,3%	53,55	63,63

Sources: Bloomberg, LBBW Research

The Strongest Currency Appreciations and Depreciations Against the Euro This Week

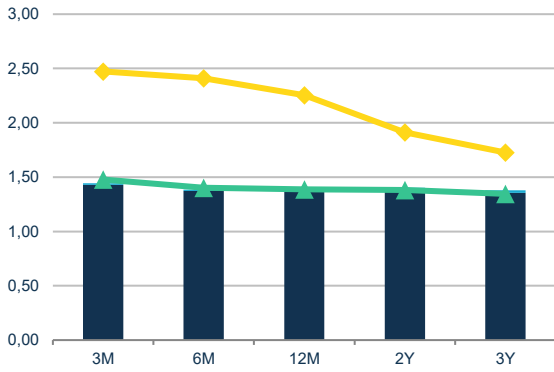


Sources: Bloomberg, LBBW, Research

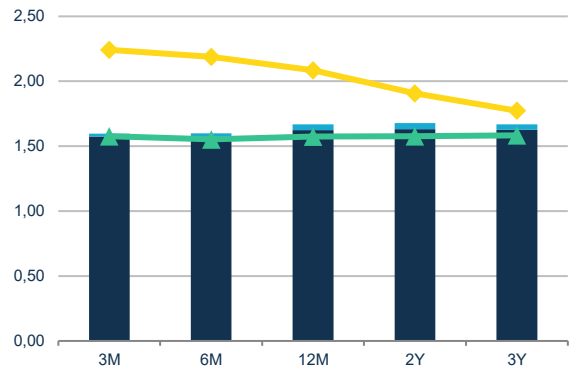
Interest rate differential and FX insurance costs vs. the Euro for selected currencies

interest rate differential, basis swap rates and insurance costs

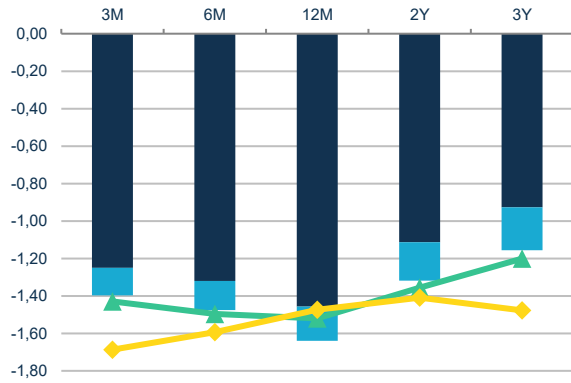
US dollar



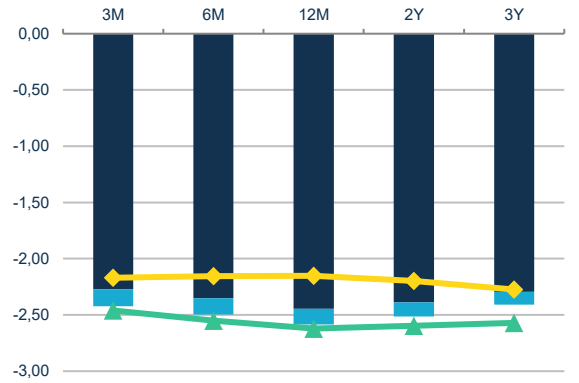
British pound



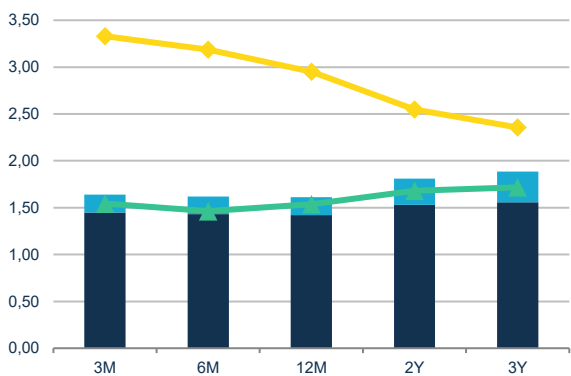
Japanese yen



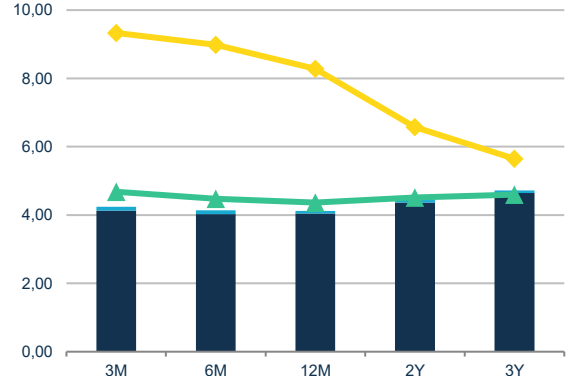
Swiss franc



Polish zloty



Mexican peso



■ interest rate differential
▲ insurance costs (p.a.; current)

■ basis swap rates
◆ insurance costs one year ago

Sources: Bloomberg, LBBW Research

Credit Spreads

5Y CDS Spreads	Current	1W	1M	Changes		
				3M	6M	1Y
IG Corporates	54	0	-4	-9	2	-2
HY & NR Corporates	264	0	-20	-33	13	-29
Senior Financials	57	0	-4	-10	1	-6
Sub Financials	93	1	-7	-20	-2	-15

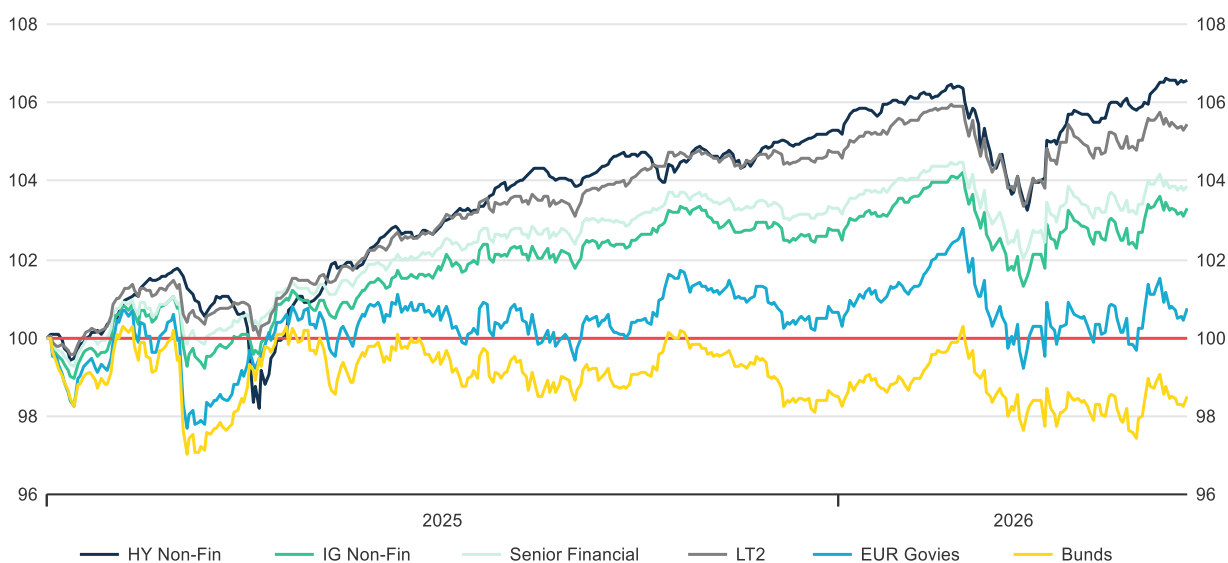
EUR Indices	Current	1W	1M	Changes		
				3M	6M	1Y
Non-Financials	74	1	-4	-10	0	-16
Banks Senior Preferred	53	1	-3	-10	-6	-18
Banks Senior Bail-in	72	2	-4	-15	-2	-19
Banks Subordinated	109	2	-3	-18	-1	-31

*time lag of one day, Asset Swap Spreads

12.06.2026

Sources: LSEG, LBBW Research

Performance Credits vs. Bunds



Quellen: LSEG, LBBW Research

Allocation recommendations (Credits vs. Bunds)

Under observation of 6 – 12 months

	Recommendation	Segments	Regions	Strategies
Rates	0	0 0-3 years	0/+ Euro periphery	Multi-Callables
		0/+ 4-7 years	0 German Bunds	Inflation-linked bonds
		0/- 8-10 years	0/- USD-Bonds	
		0/+ Corporate Inv. Grade	0/- Emerging Markets Debt	
Credit	0/+	0 Corporate High Yield		
		0/+ Corporate Hybrids (IG)		
		0/+ Senior Financials		
		0/+ Covered Bonds/SSAs		
		0 Tier 2 Inv. Grade/ Sen. Non-Pref.		

Sources: LBBW Research

Disclaimer

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