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Bonds
Weekly

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Market participants are betting on a prolonged period of rate hikes

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01 | Our View

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Bond Market Movers – Review and Outlook

What drove the bond markets last week?

- In the Middle East conflict, the U.S. and Iran have resumed talks aimed at ending the de facto blockade of the Strait of Hormuz.
- However, there are no signs of an imminent breakthrough at this time.
- Economic sentiment in the euro area improved further in September. The S&P Global Composite PMI has risen to its highest level since spring 2023. The ifo Business Climate Index has improved for the fifth consecutive month.
- In the U.S., the purchasing managers' indices published by S&P Global are also showing a surprisingly positive trend. They suggest accelerated economic growth.
- The latest ECB survey on consumer inflation expectations indicates a rise in inflation concerns in both the short and medium term.
- Once again, there is bad news for France from the rating agencies. Scope has lowered the credit rating from AA- to A+.
- The most recent auctions of 5-year and 7-year U.S. Treasury notes have both seen sluggish demand.

What could drive the market next week?

- The financial markets remain focused on news from the Middle East and trends in commodity prices. How reliable are the latest signs pointing toward a diplomatic rapprochement?
- In the euro area, inflation is set to rise in September for the third consecutive month. We also expect the core rate to turn upwards.
- In the U.S., the regional leading indicators for the manufacturing sector collectively point to a slight souring in the ISM Manufacturing Index.
- The U.S. job market could send mixed signals for September. While the ADP report is set to show stronger job growth than in August, we anticipate that the official labor market report will point to a slowdown in employment growth.
- The primary market for U.S. Treasury securities will be quiet next week. Meanwhile, supply pressure in the primary market for EUR government bonds is likely to mount strongly compared with last week. We expect gross supply of approximately 45 billion EUR, up from 20 billion EUR the previous week. Particular attention is being paid to the next auction of long-term French OATs in light of a recent severe turbulence in the French government bond market. Meanwhile, net cash flows are likely to plummet deep into negative territory due to a lack of reflows.

Market participants are betting on a prolonged period of rate hikes

U.S. Treasury yields hit new annual highs

Once again, hopes for a more sustainable stabilization of prices in the major government bond markets on both sides of the Atlantic have proven to be premature. In the wake of the Fed's latest interest rate decision, prices of long-term U.S. Treasury securities, in particular, had stabilized for a time, as investors had apparently reacted favorably to Fed Chairman Warsh's reaffirmed commitment to price stability. This week, however, saw another heavy price setback. Bond bears have gained further ground, particularly in the U.S., as the yield on 10-year U.S. Treasuries surged well above its previous annual high to 5.20%. The U.S. benchmark yield is targeting the next significant resistance zone: The peak yield from 2007 set at 5.33%, which has been the highest level in the past 25 years. The gloomy overall sentiment in the bond market could prompt short-sellers to push for a test of this next psychological threshold. We see three factors behind the recent slump in global bond markets. First, market participants appear to still be grappling with the "hawkish" signals from the ECB and the Fed sent during recent weeks. The forward rates in the money markets on both sides of the Atlantic indicate that the market consensus has been continuously revising its expectations for peak policy rates in the euro area and the United States upward. On both sides of the Atlantic, futures prices now price in a series of up to four additional hikes through the summer of 2027. Expectations for the current rate-hiking cycle are thus moving ever closer to the respective peak interest rates of 2023 (see the chart below).

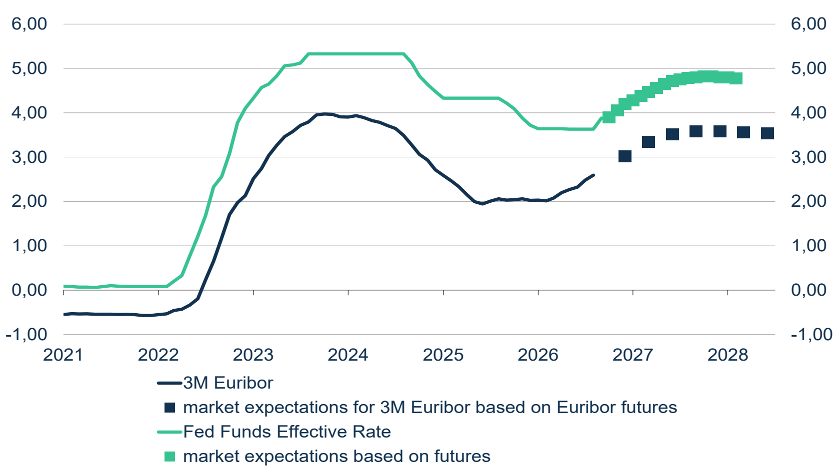
10-Year U.S. yield sets sights on 2007 high

"Hawkish" signals from central banks continue to linger

Market consensus expects 100 bp in further hikes

Chart of the Week

3M Euribor and Fed Funds Effective Rate, along with respective market expectations based on forward rates

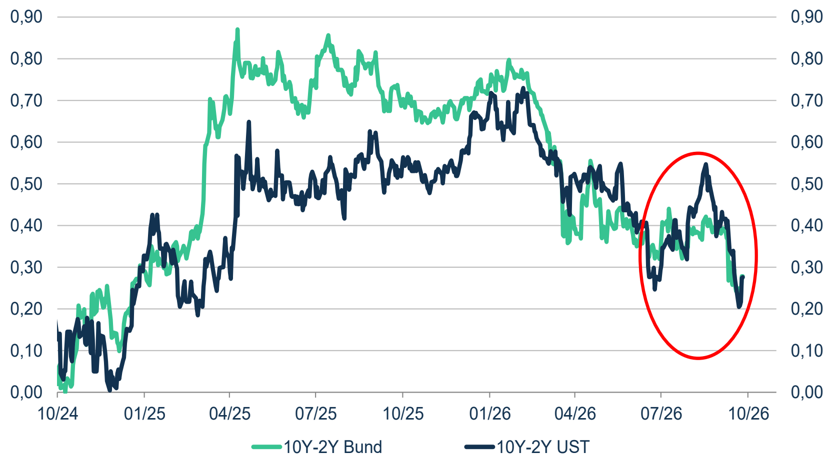


Source: Bloomberg, LBBW Research

With regard to yields on long-term government bonds, we still see some stabilizing effects stemming from the central bankers' "strengthened" commitment to price stability. In our view, this has become evident in the form of a flattening of the yield curves over the past few weeks. In both the U.S. and the euro area, the yield spread between 10-year and 2-year government bonds narrowed to its lowest level in a year and a half (see the chart below). However, this was not enough to shield the long-term bonds from further price setbacks. Especially since investors' concerns about mounting government debt remain acute, as the ongoing sell-off in long-term French government bonds impressively demonstrates, in our view (see the article on page 12).

French bonds under heavy pressure

Curves as flat as they last were in the spring of 2025
10-Year/2-Year spread on the Bund yield curve and the U.S. Treasury yield curve



Source: Bloomberg, LBBW Research

Meaningful curve flattening

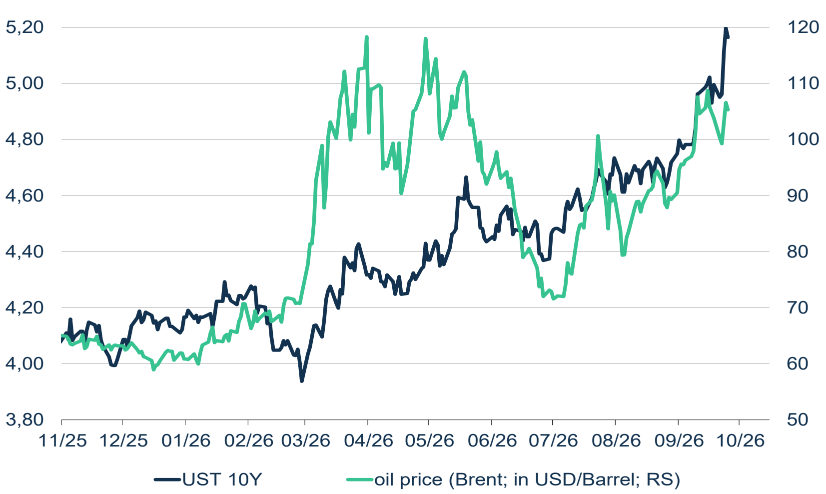
A fleeting hope for easing of Middle East tensions

Talks have resumed in the Middle East, …

Second, what appeared to be temporary hopes for a de-escalation of the situation in the Middle East apparently turned into frustration again relatively quickly. According to a statement by U.S. President Trump on the sidelines of the UN General Assembly, the U.S. and Iran have indeed resumed talks on reopening the Strait of Hormuz. Further talks are expected to follow, which may ease the risk of another military escalation for now. However, it seems unclear whether the latest diplomatic initiative is anything more than a reassurance for the public and the financial markets in the run-up to the U.S. midterm elections. So far, we have not seen any real movement toward a compromise between the parties' entrenched positions. The majority of financial market participants clearly appears to share this view, evidenced by a rapid rebound in the price of Brent crude oil above the USD 100 per barrel mark.

… but a solution doesn't seem imminent

Oil price dips only briefly below the USD 100 mark
Yield on 10-Year U.S. Treasuries and Brent crude oil price (in USD/barrel)



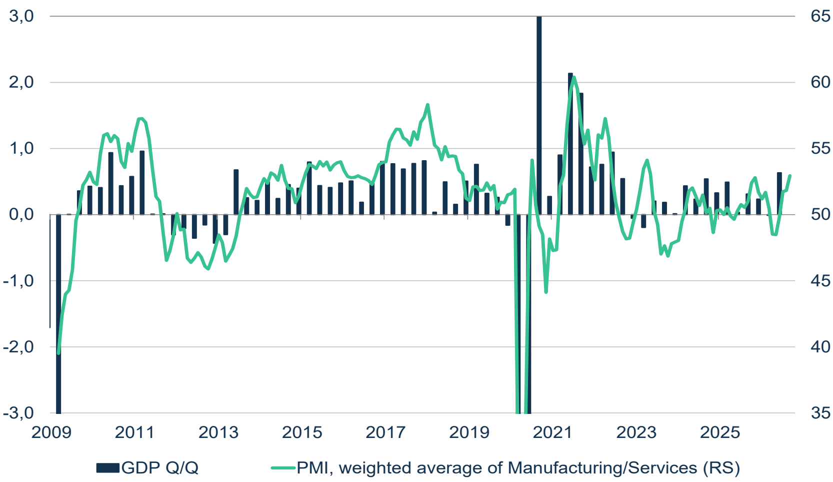
Source: Bloomberg, LBBW Research

Strong Economy fans interest rate fears

Third, the recently released leading economic indicators played right into the hands of the bond bears. On both sides of the Atlantic, the purchasing managers' indices published by S&P Global for September as a whole came in significantly higher than expected. Accordingly, economic growth is picking up steam despite ongoing headwinds from geopolitical tensions and energy prices. According to the chart below, the strong GDP growth recorded for the euro area in the second quarter was likely not just a flash in the pan. For Germany, the recent significant upward revisions to forecasts by leading economic research institutes underscore this message, as does the fifth consecutive rise in the ifo Business Climate Index.

Leading indicators on both sides of the Atlantic higher than expected

Business sentiment is at its most optimistic level in three years
GDP growth in the Eurozone (Q/Q) and the weighted average of the S&P Global Purchasing Managers' Indices



Source: Bloomberg, LBBW Research

Better mood than just before the outbreak of the Iran War!

As encouraging as the robust condition of the major economies is on the one hand, it provides further fuel for bond market participants' rate hiking speculation on the other. If this leads to a self-sustaining economic recovery, the kind that has been lacking for a long time, particularly in Europe, it could put additional pressure on the ECB to take monetary policy action. In such an environment, passing on increased purchase prices to the end consumer on a broad scale would suddenly become a very real possibility. This, in turn, could set off a spiral of second-round inflationary effects, which have not been reflected yet in the “hard” data. In the U.S., the economy could even overheat if the AI boom continues unabated. A moderately restrictive monetary policy stance – such as the one the Federal Reserve is currently considering, according to its own projections – would likely no longer be sufficient to curb inflationary risks in the event of a broader economic recovery.

Robust economy ramps up risk of second-round effects

This complex situation is currently prompting market participants to factor into their expectations increasingly significant upside risks for key interest rate paths on both sides of the Atlantic. There appears to be no end in sight to the resulting upward spiral in interest rates, as the strongly one-sided, bearish sentiment is preventing any sustained price recoveries. In our view, this clearly is offset by an increasingly pronounced medium-term oversold condition in the major bond markets. However, the resulting prospect of a medium-term recovery in bond prices does not appear to be enough just as yet to outweigh investors’ concerns about a continued sell-off. In our view, a reliable easing of tensions in the Middle East remains a necessary prerequisite for a lasting turnaround in sentiment. Also, our above considerations regarding the implications of the positive economic trends suggest that even if the Strait of Hormuz were to reopen, a sustained bond market rally would no longer be a foregone conclusion.

Bearish momentum vs. oversold conditions

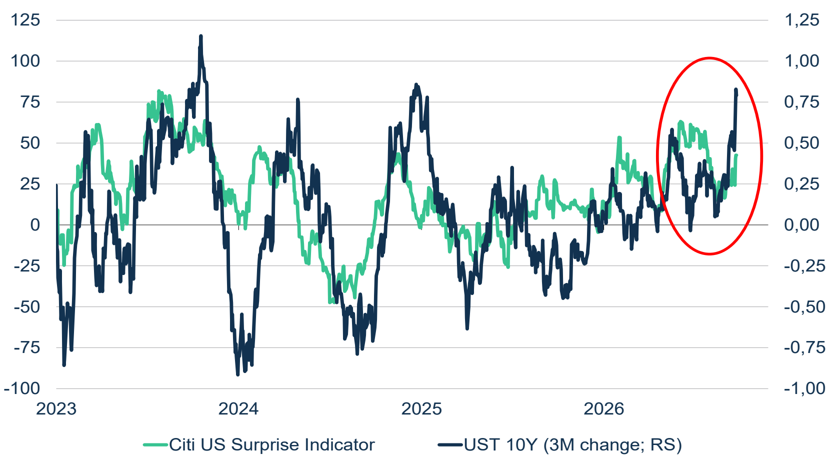
Outlook: Focus on EMU inflation and the U.S. labor market

The next indicators allowing to assess the strength of the U.S. economy are on the agenda for next week: the ISM Manufacturing Index (Oct. 1) and the U.S. labor market data for September (Sept. 30/Oct. 2). All in all, we see an opportunity for these data to provide at least some support to the severely battered bond markets. Based on the available regional U.S. leading indicators, the ISM Index is heading for a moderate setback. Similarly, we interpret the regional sentiment indicators as suggesting that the jobs report could be somewhat disappointing. Against this backdrop, August's strong employment growth is likely to turn out to be an outlier on the upside. If our forecast in this regard proves accurate, it should put a damper on excessive speculation about a rapid series of further Fed rate hikes. The following chart also shows that the sharp rise in the 10-year U.S. Treasury yield now significantly overstates the extent of positive U.S. economic surprises. A weaker signal from the U.S. labor market could, in this respect, help cap upward pressure on yields for the time being.

Will the ISM and the U.S. payrolls help the bond market get back on its feet?

Is the extreme yield upward spiral getting ahead of itself?

Citigroup Economic Surprise Index for the U.S. and change in the 10-year Treasury yield over a three-month horizon



Source: Bloomberg, LBBW Research

U.S. yield rise gets more and more excessive

On this side of the Atlantic, however, macroeconomic data threatens to trigger further bond-negative momentum next week. The focus will be on the EMU inflation data for September (Oct. 2), with the overall picture for the euro area likely to gradually emerge from the data for individual countries as the week progresses. A substantial further upward surge in prices seems inevitable given the sharp rise in energy prices in recent weeks. Positive base effects, which, according to our analysis, are also likely to push up the core rate, may well amplify the upcoming spike in inflation.

EMU inflation set for another jump in September

Forecasts at a Glance

Euro Area	Spot	31.12.26	30.06.27	31.12.27
ECB Main Refinancing Rate	2,65	2,65	2,65	2,40
ECB Deposit Rate	2,50	2,50	2,50	2,25
Overnight Rate (€STR)	2,44	2,45	2,45	2,20
3M Euribor	2,61	2,55	2,55	2,30
Swap 2Y	3,57	3,00	2,80	2,50
Swap 5Y	3,61	3,10	2,95	2,75
Swap 10Y	3,64	3,30	3,20	3,10
Bund 2Y	3,28	2,80	2,65	2,35
Bund 5Y	3,44	2,95	2,85	2,65
Bund 10Y	3,60	3,30	3,25	3,15
Swap/Bund 2Y	29	20	15	15
Swap/Bund 5Y	18	15	10	10
Swap/Bund 10Y	4	0	-5	-5
Spread BBB Corporates/Bund	90	100	105	110

USA	Spot	31.12.26	30.06.27	31.12.27
Fed Funds Target Rate	4,00	4,00	4,00	3,75
Overnight Rate (SOFR)	3,87	3,90	3,90	3,65
3M Money Market	4,05	4,00	3,90	3,60
Swap 2J (SOFR-OIS)	4,75	4,05	3,65	3,35
Swap 5J (SOFR-OIS)	4,74	4,15	3,85	3,60
Swap 10J (SOFR-OIS)	4,77	4,40	4,25	4,10
Treasury 2Y	4,89	4,20	3,85	3,55
Treasury 5Y	5,02	4,45	4,20	3,95
Treasury 10Y	5,16	4,85	4,75	4,60

G5		Spot	31.12.26	30.06.27	31.12.27
Japan	*Overnight Rate (TONAR)*	1,23	1,25	1,30	1,50
Japan	*10Y Government Bond*	3,09	2,90	2,95	3,00
UK	*Overnight Rate (SONIA)*	3,73	3,95	3,95	3,70
UK	*10Y Government Bond*	5,38	5,10	5,00	4,85
Switzerland	*Overnight Rate (SARON)*	-0,04	-0,05	-0,05	-0,05
Switzerland	*10Y Government Bond*	0,65	0,45	0,45	0,40

FX	Spot	31.12.26	30.06.27	31.12.27
EURCHF	0,9433	0,93	0,94	0,95
EURCNY	7,6425	7,91	7,62	7,62
EURGBP	0,8607	0,85	0,85	0,85
EURJPY	179,92	186	182	180
EURUSD	1,1385	1,18	1,19	1,20
USDCHF	0,8285	0,79	0,79	0,79
USDCNY	6,7129	6,70	6,40	6,35
GBPUSD	1,3227	1,39	1,40	1,41
USDJPY	158,03	158	153	150

Economic Development		2024	2025	2026e	2027e
Germany	*GDP*	0,0	0,4	0,7	0,8
	Inflation	2,3	2,2	2,7	2,3
Euro Area	*GDP*	1,1	1,5	0,8	1,0
	Inflation	2,4	2,1	2,9	2,4
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	3,6	2,2
Japan	*GDP*	0,1	1,1	0,6	0,8
	Inflation	2,7	3,2	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

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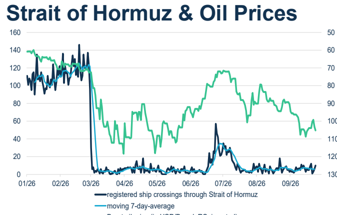
- *Global Economy:* The OECD has slightly raised its forecast for global GDP growth this year, from 2.8% to 2.9% – forecast for 2027, however, lowered from 3.1% to 3.0% – somewhat more optimism for the euro area economy, with a significant upward revision in the forecast for Germany (to 1.1% in both 2026 and 2027) – according to the OECD, global inflation is expected to rise to 4.1% in 2026, with a gradual slowdown to 3.6% in 2027 – The OECD nevertheless emphasizes growing risks to the global economy and warns of the negative impact of the sharp rise in government bond yields on public finances.

OECD raises global growth forecast

Strait of Hormuz & Oil Prices



Sources: Bloomberg, LBBW Research

- *Middle East Conflict:* According to media reports, the U.S. and Iran are exploring the possibility of a phased agreement to reopen the Strait of Hormuz – an agreement could be modeled after the fragile temporary deal the two countries reached in June of this year, although mutual conditions would likely still stand in the way of a new agreement.
- *Middle East Conflict:* U.S. President Trump describes talks between U.S. and Iranian delegations on the sidelines of the UN General Assembly with regard to the conflict over the Strait of Hormuz as "very good" – says the talks will continue – meanwhile, the U.S. president reiterates his assessment that Iran is unlikely to back down until after the U.S. midterm elections – Iran, for its part, reiterates "tough conditions" for reopening the Strait of Hormuz, including the lifting of the U.S. naval blockade, the release of frozen Iranian assets, and an end to the war "on all fronts."
- *Middle East Conflict – Energy Price Crisis:* Saudi Arabia announces the resumption of operations on a recently damaged central pipeline used for the east-west transport of oil.
- *Geopolitics:* The U.S. and China have agreed to extend their truce in the trade conflict for another two months – agreement reached in 2025 will now expire on January 10, 2027.
- *Geopolitics:* The U.S. and Denmark sign an agreement on the future status of the Arctic island of Greenland – the U.S. will, in principle, have full military control over the territory – while the island's status under international law remains unchanged, and residents will continue to be guaranteed autonomy.
- *Geopolitics – Climate:* The Asian Development Bank (ADB) warns that the "El Niño" weather phenomenon could impact economies this year, particularly in Southeast and South Asia, and politically destabilize certain countries – says El Niño is "no longer a climate problem, but an economic problem" – the weather phenomenon occurs every two to seven years in the Pacific region and threatens to reach record levels this year.

Warning about consequences of "El Niño"

- *Monetary Policy – ECB:* Chief Economist Lane reiterates that inflation in the euro area is likely to remain elevated for an extended period given the recent surge in energy prices – a decline toward the ECB's target is set to begin in mid-2027.
- *ECB:* Executive Board member Isabel Schnabel is leaving the ECB early, effective by January 2027, to take up a key position at the IMF – that decision could set off a round of personnel changes, including an early appointment to fill the ECB presidency.

Schnabel is leaving the ECB early

- *Monetary Policy – Switzerland:* As expected, the SNB leaves its key interest rate unchanged at 0.00% – willingness to conduct further foreign exchange market interventions to weaken the Swiss franc has been downgraded – the SNB raises its projections for both GDP growth and inflation.

Both ifo index and PMIs signal optimism

- *Germany – Economy:* ifo Business Climate Index rose from 88.8 to 89.9 points in September, the highest level since May 2023 - marking the fifth consecutive increase – improvements in the assessment of the current situation (from 88.5 to 89.5 points) and in expectations (from 89.0 to 90.4 points) were both driving the upward trend in equal measure.
- *Germany – Economy:* S&P Global Purchasing Managers' Index for the manufacturing sector edged down slightly in September, from 54.3 to 53.8 points – by contrast, the index for the services sector jumped from 49.7 to 52.9 points – the Composite PMI, at 53.8 points, is now higher than it was directly before the outbreak of the Iran war.
- *Germany – Economy:* Economic research institutes are significantly raising their GDP growth forecasts in their fall report – now projecting growth rates of 1.3% for 2026 (previously: 0.6%) and 1.1% for 2027 (previously: 0.9%) – however, this higher growth is driven primarily by temporary effects; in 2028, the rate is expected to decline to 0.4% – Institutes reaffirm need for structural reforms to improve competitiveness.
- *Germany – Sluggish Growth:* The ifo Institute identifies bureaucracy and regulation as the most significant obstacles to growth and motivation – stating that the burden is greater than that caused by high location costs – according to an ifo survey, half of the companies surveyed cite these two factors as the most significant barriers to growth, far ahead of labor and energy costs.

Economists criticize return of the "discount at the pump"

- *Germany – Energy Price Crisis:* The federal government has decided to reinstate the “discount at the pump” that was temporarily in effect earlier this summer – as a result, prices for gasoline and diesel are set to be reduced by up to 17 cents per liter for three months starting in early October – Starting in early 2027, a “fuel price cap” is to be introduced in cooperation with the oil industry – leading economists sharply criticize this latest “blanket subsidy.”
- *Eurozone – Economy:* S&P Global's Purchasing Managers' Index for the manufacturing sector remained flat at 52.7 points in September – while the index for the services sector jumped from 51.6 to 53.0 points, its highest level since November 2025.
- *Eurozone – Inflation:* The latest ECB survey on consumers’ inflation expectations shows an upward trend for August – expectations for one year rose from 2.9% to 3.0%, while the figure for three years climbed from 2.7% to 2.9%.

EU announces trade agreement with the Philippines

- *EU – Trade Policy:* EU Commission President von der Leyen announced a basic agreement on a free trade pact with the Philippines – some details still need to be worked out – over 94% of tariff lines are to be liberalized, covering more than 97% of goods on both sides – Market access is also set to be improved.
- *U.S. – Economy:* Industrial production disappointed in August with stagnation (M/M), following a 0.2% increase in July.
- *U.S. – Labor Market:* Weekly ADP report shows a renewed moderate acceleration in job growth for the four-week period ending September 5, with an average of 20,000 jobs added, up from 16,750 in the previous period.
- *Germany – State Elections:* Right-wing populist AfD narrowly wins the state election in Mecklenburg-Western Pomerania, ahead of the ruling SPD – the CDU fails to win re-election to the state parliament for the first time in any federal state – despite the CDU’s latest electoral setback, Chancellor Merz reaffirms his intention to remain in office and continue his reform agenda – leading SPD politicians, however, are calling for adjustments to the planned pension reform.
- *Germany – State Elections:* The Left wins the Berlin House of Representatives election after making strong gains, with an unexpectedly large lead over the previously ruling CDU – Left Party succeeded primarily by promising lower living costs and calling

for the nationalization of the housing stocks of large real estate companies – in light of serious allegations against the Berlin Left Party regarding anti-Semitism and ties to Islamist terrorist organizations, pressure is mounting on the SPD and the Greens not to form a coalition with The Left.

- *France – Creditworthiness:* The rating agency Scope has downgraded France's credit rating from AA- to A+ – citing a sustained deterioration in the fiscal outlook, characterized by rising government debt, as well as persistently high budget deficits and only limited progress on structural reforms, as the key factors.
- *Greece – Credit Rating:* Rating agency Moody's® upgrades Greece's credit outlook to "positive" – credit rating remains unchanged at Baa3 – moreover, Scope upgrades Greece from BBB to BBB+ – citing a rapidly declining government debt-to-GDP ratio and improving fiscal sustainability – Greece stands out with consistently high primary budget surpluses.
- *Poland – Creditworthiness:* Rating agency Moody's downgrades Poland's credit rating from A2 to A3, with a stable outlook – the government's difficulties in curbing the country's budget deficit were cited as the reason – downgrade increases political pressure on the government to reconsider the tax cuts and spending increases planned ahead of the 2027 parliamentary election.
- *AI – Security:* U.S. President Trump plans to address security concerns surrounding AI by appointing a government official to oversee the issue – a new "AI Force" is also intended to tackle the "negative effects" of AI, though within the framework of existing criminal law – moreover, the U.S. and China have agreed to increase cooperation on issues related to AI development.

AfD and the Left triumph in state elections

Another rating warning for France

Poland's sovereign rating lowered, as well

Next Week's Data

TIME	COUNTRY		PERIOD	LBBW FORECAST	CONSENSUS FORECAST[1)]	LAST VALUE[2)]	IMPORTANCE
FRIDAY, 25.09.2026							
14:30	USA	Durable Goods Orders (M/M) (prelim.)	Aug	0,2	-0,3	1,1	***
16:00	USA	Uni Michigan Consumer Confidence (final)	Sep	-	47,5	47,8	**
	IT	Rating Review Italy (Moody's®)					**
MONDAY, 28.09.2026							
	GE	Retail Sales (M/M, sa)	Aug	-	1,5	-3,4	*
TUESDAY, 29.09.2026							
09:00	CH	KOF Swiss Leading Indicator	Sep	105,9	105,5	106,7	*
11:00	EMU	Economic Sentiment	Sep	99,5	98,8	98,4	***
11:00	EMU	Industrial Confidence	Sep	-4,5	-5,0	-5,3	*
15:00	USA	S&P / CS Composite-20 (M/M)	Jul	-	0,2	0,2	*
16:00	USA	Consumer Confidence (CB)	Sep	90,0	90,0	89,4	***
20:00	USA	FOMC Vice Chair Williams speaks					**
WEDNESDAY, 30.09.2026							
03:45	CHN	RatingDog PMI Manufacturing	Sep	-	51,6	51,5	***
09:55	GE	Unemployment Rate (sa)	Sep	6,4	6,4	6,4	*
09:55	GE	Unemployment Change (thous., sa)	Sep	10,0	-3,0	4,0	*
14:00	GE	CPI (Y/Y) (prelim.)	Sep	3,3	3,1	2,9	***
14:15	USA	ADP Employment Change (thous)	Sep	65	70	38	**
14:30	USA	GDP (Q/Q, annualized) (final)	Q2	1,5	1,5	1,5	*
14:30	USA	PCE Core (Y/Y)	Aug	3,2	3,3	3,3	***
14:30	USA	Personal Income (M/M)	Aug	0,6	0,5	0,4	**
14:30	USA	Personal Spending (M/M)	Aug	0,8	0,9	0,2	**
15:45	USA	Chicago Purchasing Manager Index	Sep	-	51,2	47,1	*
17:45	EMU	ECB Board Member Schnabel speaks					***
THURSDAY, 01.10.2026							
01:50	JPN	Tankan Index	Q3	-	25	22	**
08:30	CH	CPI (Y/Y)	Sep	-	1,0	0,8	*
09:30	CH	PMI Manufacturing	Sep	56,8	55,5	57,1	*
11:00	EMU	Unemployment Rate (sa)	Aug	6,4	6,4	6,4	**
15:30	EMU	ECB President Lagarde speaks					***
16:00	USA	Construction Spending (M/M)	Aug	-	0,1	-0,5	*
16:00	USA	ISM Manufacturing	Sep	54,0	55,0	54,6	***
FRIDAY, 02.10.2026							
01:30	JPN	Unemployment Rate (sa)	Aug	-	2,4	2,4	*
11:00	EMU	HICP, flash estimate (Y/Y) (prelim.)	Sep	3,5	3,5	3,2	***
11:00	EMU	HICP Core, flash estimate (Y/Y) (prelim.)	Sep	2,6	2,6	2,4	***
14:30	USA	Change in Nonfarm Payrolls (thous.)	Sep	40	100	162	***
14:30	USA	Unemployment Rate (sa)	Sep	4,1	4,1	4,1	***
14:30	USA	Average Hourly Earnings (M/M)	Sep	0,3	0,3	0,3	***
16:00	USA	Factory Orders (M/M)	Aug		-0,1	0,9	*

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

02 | Rates

French spread jumps above key threshold

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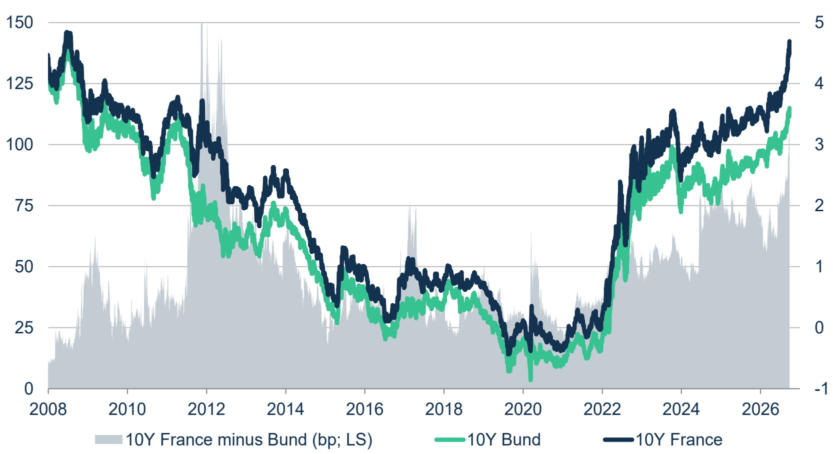
10-Year OAT yield at its highest level since 2008

In government bond markets around the world, yields on long-term securities have reached levels this month that were last seen many years ago. In the euro area, the yield on 10-year German government bonds surpassed the 3.50% mark for the first time since spring 2011. The upward pressure on yields was even stronger in the French government bond market. Since the summer of 2024, France has been under increased scrutiny from bond market participants because the country has been partially paralyzed in terms of domestic policy – and especially fiscal policy – due to extremely difficult majority constellations in Parliament. This week, the yield on 10-year OATs jumped to as high as 4.70%. The last time French government bonds offered such high long-term yields was immediately before the Lehman collapse in the summer of 2008 (see the chart below).

Yield on 10-year OATs at 4.70%

France must offer yields as high as those last seen in 2008
Yields on 10-year German government bonds and 10-year French OATs



Source: Bloomberg, LBBW Research

Spread over German government bonds exceeds the 100-basis-point threshold

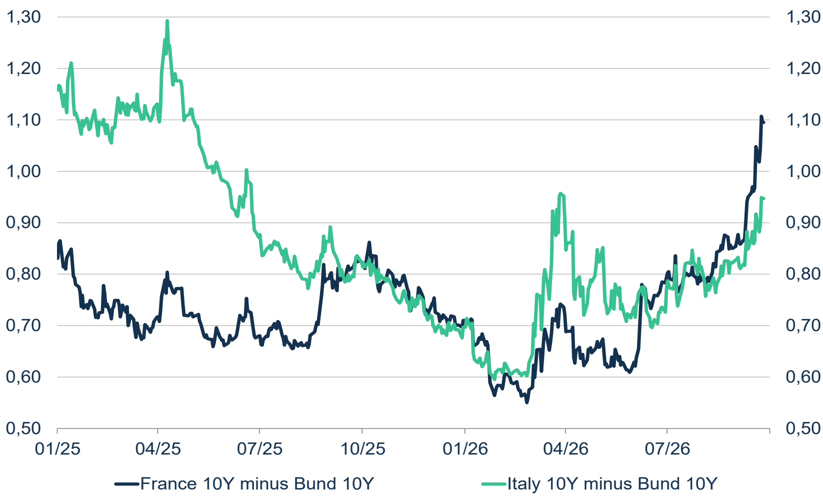
On the eve of the financial crisis, French bond yields were still virtually at the same level as those of German government bonds with the same maturity. Currently, however, the yield spread for the 10-year maturity is more than one full percentage point. Admittedly, such a wide spread is not entirely unprecedented in the history of the euro area. At the height of the market turmoil caused by the euro debt crisis, the French spread surged to around 150 basis points. However, since the ECB's subsequent massive interventions to stabilize the euro area government bond market, the yield spread relative to Bunds had not again reached the significant threshold of 100 bp, until last Friday.

French spread at its highest level since 2012

Why are investors once again so clearly hesitant about investing in the French government bond market, especially now? In our opinion, the answer is: One key factor contributing to the recent broad-based weakness in global bond markets has a particularly significant impact on France. It is worth noting here that investors are becoming increasingly sensitive to the issue of rising government debt. We have observed that yields on government bonds from the more heavily indebted euro area countries have come under more upward pressure in recent weeks than yields on German government bonds. As a result, the yield spread between 10-year Italian government bonds and German Bunds has risen by about 15 basis points since early September. A general trend toward a “risk-off” sentiment in the financial markets likely contributed to this.

Debt worries are hitting France particularly hard

Investors view France a good deal more critically than Italy
Yield spreads for 10-year French and Italian government bonds relative to the Bund



Source: Bloomberg, LBBW Research

Spread on Italian bonds has, also, risen recently, …

However, the Italian spread has recently still remained just below its high from the first “heated” phase of the Iran war. The trend in French risk premiums stands out from this in a significantly negative way. Based on this assessment, the above-average rise in OAT spreads must be attributable to a significant extent to “France-specific” factors.

… but the scale was significantly smaller than for France

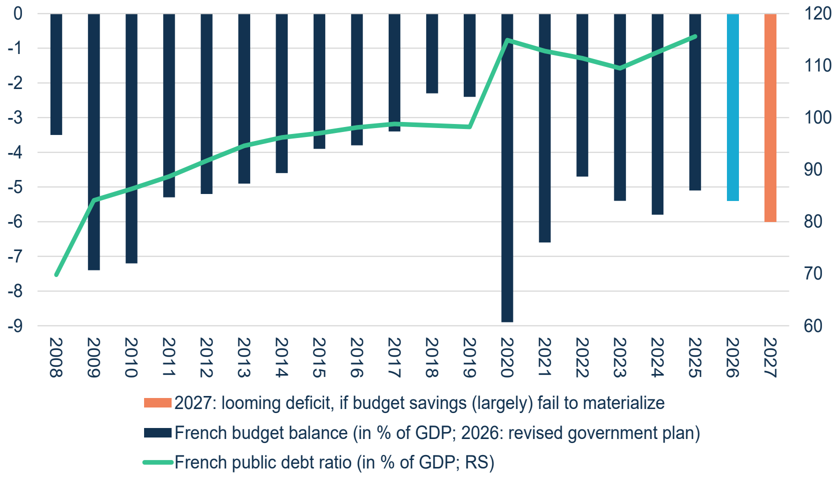
Concerns have grown over a worsening French budget deficit

In our view, the news flow over the past few weeks provided several catalysts that helped drive the French spread to a 14-year high. In our view, the decisive factor was likely, first and foremost, the French government’s admission that the deficit targets for the current fiscal year were no longer achievable. According to Finance Minister Lescure, given an unexpectedly weak GDP growth in 2026, it will no longer be possible to limit the budget deficit to 5% of GDP. This means that not only is the original deficit target of 4.6% now a dead letter. At an estimated 5.4% of GDP, the deficit is likely to be even higher than in 2025 (5.1%). And that's not all: The outlook for the coming year suggests the possibility of another increase in the deficit. The French government is currently working on its budget plan for 2027. Officially, the government in Paris remains committed to its promise to reduce the budget deficit to 3% of GDP by 2029. From today's perspective, however, even limiting the figure for the coming year to the maximum of 5% – which was actually the target for 2026 – already appears to be a major challenge. Finance Minister Lescure plans to implement cost-cutting measures totaling 30 billion EUR, which is equivalent to about 1% of current GDP. However, in our view, it remains entirely unclear at this time whether such significant spending cuts can be pushed through a deeply divided parliament some six months before the next presidential election. If Prime Minister Lecornu's government fails to pass

Paris raised deficit forecast for 2026

its budget plans, a rollover of the 2026 budget would likely remain in effect for the time being. Without the targeted savings, the budget deficit in 2027 could therefore very well rise to 6% or more. This would be the highest figure since the COVID-19 years of 2020–2021 (see the chart below), which might further accelerate the rise in the already high public debt-to-GDP ratio.

Is France facing a budget deficit of 6% in 2027?
Budget deficit and public debt-to-GDP ratio for France (as a percentage of GDP)



Source: Bloomberg, LBBW Research

Anxious eyes are fixed on the 2027 budget

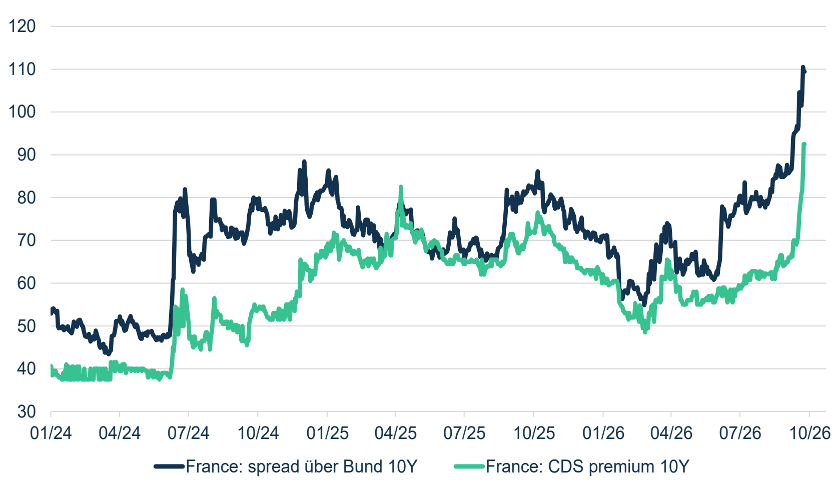
In addition, the European rating agency Scope recently gave France a “wake-up call” by lowering its credit rating from AA- to A+. In our view, Moody’s, the American competitor, could follow Scope’s lead during its next rating review on October 23 lower its rating to A1.

Scope downgraded France; Moody’s may follow suit

We expect the heightened nervousness in the French government bond market to continue for the time being, at least until a decision is made on the 2027 budget. It is true that a government failure is likely already partially priced into the bond market. Such a move would, however, make it more difficult for the market to stage any form of consolidation in the run-up to the presidential election.

A collapse of the government now appears to be partially priced into the market

France's bond basis has recently moved deeper into negative territory
10Y risk premium for France in the bond market and the CDS market



Source: Bloomberg, LBBW Research

If things go well, a bond price recovery is on the horizon!

If, on the other hand, the government manages to push through at least a significant portion of its austerity measures, this could, in our view, reassure investors for the time being. In that case, we would expect France's yield spreads to converge significantly with those of Italy. A positive outcome of the budget negotiations could also lead to credit risk premiums for France on the bond market and the CDS market converging somewhat again. These have drifted apart in recent months (see the chart above).

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EUR government bonds: Net supply set to ease in Q4

Review: Gross supply slumps 15% Q/Q in Q3

Primary market activity in the euro area countries followed the typical seasonal pattern during the summer months, while also confirming the overall upward trend compared with the previous year. According to our analysis, gross government bond issuance from the euro area (excluding Slovenia, Slovakia, Croatia, Cyprus, Malta, Luxembourg, and the Baltic states) are expected to have totaled approximately 333 billion EUR between July and September (as of September 23: 309 billion EUR). This compares with 402 billion EUR in the second quarter (-15% Q/Q). However, when comparing gross supply to the same quarter of the previous year, a steady upward trend emerges, specifically, an 11% increase, following an 8% rise recorded in Q2. Overall, debt managers in the peripheral countries have followed the trend of declining supply in the summer to a far above average extent (-40% QoQ).

Gross supply in Q3: up 11% vs. previous year

Issuance progress clearly above 80%
Expected gross issuance volume in 2026 by country (in billions of EUR, LBBW Forecast)

Country	LBBW forecast volume of issuance in 2026	already issued (as of 23.09.2026)	issued in %	volume in 2025	change
France	**360**	299	83%	333	8%
Germany	**350**	284	81%	290	21%
Italy	**350**	274	78%	360	-3%
Spain	**166**	141	85%	163	2%
Portugal	**18**	16	90%	21	-13%
Austria	**45**	36	79%	45	0%
Greece	**8**	8	98%	8	3%
Belgium	**51**	42	83%	45	13%
Netherlands	**52**	38	74%	38	37%
Finland	**25**	21	86%	24	5%
Ireland	**11**	11	98%	8	33%
Sum	**1436**	**1171**	**82%**	1334	**8%**

Source: Bloomberg, LBBW Research

Issuance forecast for 2026 at 1,436 bln EUR – slightly up!

At this point, our full-year issuance forecast is subject to only moderate remaining uncertainty, provided there are no additional external shocks. We have moderately raised our 2026 issuance forecast from 1,418 billion EUR to 1,436 billion EUR. The main reason is that, in light of the government's deficit targets looking set to be exceeded, the French Treasury is likely to tap the primary market to a greater extent than previously thought.

France has been issuing more than expected, thus far

Issuance activity to drop sharply in Q4 – net supply down one-third Q/Q

Our outlook for the primary market in the fourth quarter in the euro sovereign bond market is based on the assumption that governments will align their issuance plans closely with prevailing seasonal patterns. So far this year, this has always been the case. From a purely "arithmetical" perspective, our slightly adjusted full-year forecast for 2026 indicates that gross supply in the final quarter will total approximately 233 billion EUR. On the one hand, this implies a very sharp decline compared to Q3, namely, by a good 30%. On the other hand, according to our forecast, gross supply will slightly sit above the seasonal record set in the fourth quarter of 2024 (227 billion EUR). The share of peripheral countries in the issuance mix is set to rise to about 39% in Q4, thereby returning to a level

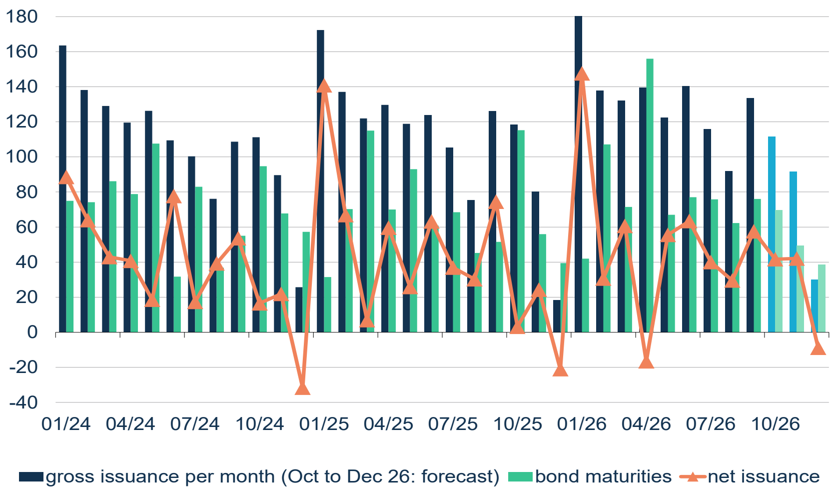
New issues to be extremely rare; Peripheral sovereigns will hardly throttle down close to that of the first half of 2026. Germany's share, on the other hand, will likely decline, from 29% to just under 26%.

In net terms, the supply trend in the final quarter is about to take a similarly sharp downturn as it does in gross terms. The volume of maturities is declining at roughly the same rate as the volume of new issuances: Compared to the summer quarter, our analysis shows a decline of just over a quarter to 158 billion EUR. On this basis, net supply will slump from approximately 127 billion EUR to just 75 billion EUR. In our view, a decline in net supply of roughly 40% implies, in and of itself, less downward pressure on prices in the EUR government bond market. The latter is particularly true for the month of December, for which we even expect a negative net supply. For further details, please refer to our publication *Bonds in Focus,* dated September 23, 2026. Below, we'll go over some details for the month of October.

Net supply: sub-zero in December

Bond-friendly environment to emerge in December

Gross and net supply of EUR government bonds per month since the beginning of 2024 (in billions of EUR; Q4 2026: (LBBW Forecast)



Source: Bloomberg, LBBW Research

October: A Closer Look

German supply to slide by nearly 40% Q/Q

According to its annual outlook released in December 2025, the German Federal Finance Agency plans to raise EUR 59.0 billion on the capital market in the fourth quarter. This preliminary outlook was recently confirmed. In addition, there will be a final Green Bund auction on October 20 with an estimated volume of 1.5 billion EUR. The total gross supply is therefore set to reach 60.5 billion EUR. For Germany, this represents a decline of nearly 40% compared to the third quarter, when the federal government recorded the second-highest level of primary market activity ever.

According to our estimates, the gross supply for the month of October amounts to 29.5 billion EUR. For Germany, this represents a 10% decline compared with September, which is largely in line with our expected supply trend for the euro area as a whole (forecast: 114 billion EUR, down from 126 billion EUR). The Federal Finance Agency has two new issues scheduled for October: First, there is the 2-year Treasury note 12/28 (6 billion EUR on October 6, plus an additional 5 billion EUR on October 27), and, on the other hand, the 7-year Bund 11/33 (EUR 4 billion on October 7). The OBL 10/31 (EUR 5 billion on Oct. 13) and the 10-year Bund 08/36 (by EUR 5.5 billion on Oct. 28) will be topped up. In addition, there will be a dual issuance in the 30-year segment (2.5 billion EUR on October 14).

From France, we expect gross supply of 62 billion EUR in the fourth quarter, down from 97 billion EUR in Q3. We do not expect any new issues. According to our forecast, October will account for 28 to 30 billion EUR.

On October 1, the 10-year OAT 11/36 and other (ultra-)long-term bonds are likely to be tapped (total volume: 12 to 14 billion EUR). For the mid-month auction (Oct. 15), we expect taps of the 3-year OAT 09/29, the 5-year OAT 02/32, and several Linkers (total volume: 14 to 16 billion EUR).

France: presumably without any new issuance

Germany, France, and Italy are almost neck and neck

Details of the forecast government bond supply in October (in billions of EUR)

October 2026 - estimated								
	short	med	long	ultra	linker	Total	ret.	net
France	6,0	7,5	8,0	5,5	2,0	29,0	4,9	24,1
Germany	11,0	9,0	7,0	2,5		29,5	26,7	2,8
Italy	5,5	9,0	3,0	9,5	2,0	29,0	7,6	21,4
Spain	4,5	3,0	2,5	1,0	0,5	11,5	39,0	-27,5
Portugal				1,5		1,5	0,9	0,6
Austria			2,0			2,0	18,2	-16,2
Greece								
Belgium		1,0	1,3	0,8		3,0	1,1	1,9
Netherlands			2,5	2,0		4,5		4,5
Finland		1,5				1,5		1,5
Ireland							0,6	-0,6
Total	27,0	31,0	26,3	22,8	4,5	111,5	98,8	12,7
in %	24%	28%	24%	20%	4%			

Source: Bloomberg, LBBW Research

Net negative supply from Austria and Spain

Italy: New 30-year BTP?

Italy's gross capital market issuance may roughly stagnate in Q4 following an extremely sharp "summer dip" (-42% Q/Q). Compared to the previous quarter, we expect tiny decline to 62 billion EUR. According to our forecast, October alone will account for 28 to 32 billion EUR of this total. Part of the amount could be allocated to the issuance of a new 30-year BTP or to a tranche of the “BTP Valore” retail bond. In addition, Tesoro is expected to tap the 3-year BTP 09/29, the 7-year BTP 09/32, and an ultra-long-term bond around mid-month (Oct. 13; total volume: 8 to 10 billion EUR). The end-of-month auctions (Oct. 27 and 29) could include the placement of a new 5-year BTP, as well as taps of the 10-year BTP 10/36, a short-term BTP, a linker, and a floater (total volume: 12 to 14 billion EUR).

With regard to Spain, we expect the Treasury to conduct taps of three to four existing bonds on both October 1 and October 15, with a total volume of 5.5 to 6 billion EUR. The total issuance volume in October is expected to be between 11 and 12 billion EUR. For Q4 as a whole, we expect gross supply to range from 24 to 26 billion EUR, down from 34 billion EUR in Q3. In our view, Portugal could increase the principal amount of one or two existing bonds by a total of 1.5 billion EUR on October 14.

Netherlands: Two performances expected for October

We think Belgium may increase the size of two to three existing OLOs on October 26 by a total of 3 to 3.5 billion EUR. The Netherlands is set to tap the capital market twice in October. An increase to the 5-year NETHER 01/31 is planned for October 13; the auction date of October 27 is optional (estimated total volume: 4 to 5 billion EUR). Austria could on October 6 offer government bonds totaling between 1.5 and 2 billion EUR for tapping, while Finland is expected to hold an auction on October 20 (1.5 billion EUR).

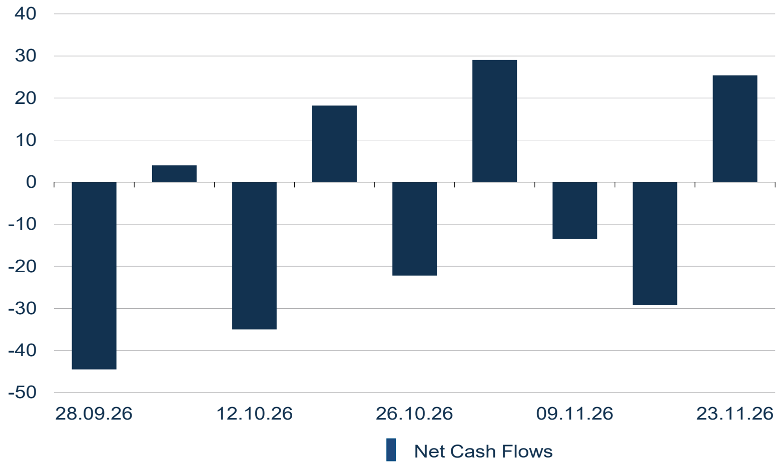
Downward pressure on bond prices from net cash flows is easing

October: Reflows only modestly below issuance

In October, the pace of activity in the primary market is likely to remain solid. However, the reflows from maturities and coupon payments will nearly offset the supply. Next month, the net supply situation will therefore be somewhat more favorable for bond investors than it was in September. The gross supply of EUR 112 billion that we expect is offset by reflows ready for reinvestment totaling EUR 99 billion in October. Of this amount, EUR 70 billion will be attributable to bond maturities. Net supply is therefore about to decline by 25% month-over-month to EUR 43 billion.

Net cash flows to bounce up and down

Expected net cash flows (reflows minus issuance) per week (in billions of EUR)



Source: Bloomberg, LBBW Research

Net Cash Flows: A sample of ups and downs

As shown in the chart above, net cash flows are set to change direction rapidly throughout the fourth quarter.

Maturities in October from Germany, Spain, and Austria

The maturities in October will be distributed among Germany (24.0 billion EUR on October 9), Spain (28.7 billion EUR as of October 31) and Austria (17.2 billion EUR as of October 20). Based on this, the supply situation appears particularly favorable in the Spanish and Austrian government bond markets.

03 | Credit Strategy

A Lot of Hope Factored In

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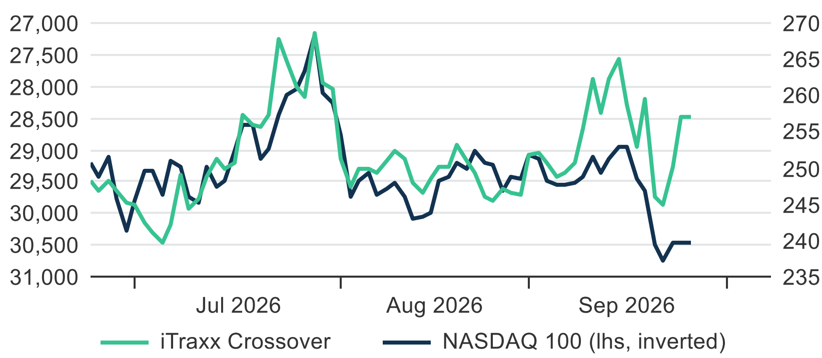
Credit investors remain calm

While oil prices had largely set the tone in the capital markets in recent weeks, the driving force this week came primarily from U.S. technology stocks. The risk premiums on European credit closely tracked this trend. Amid volatility, the iTraxx fell again.

iTraxx down, again

iTraxx is aligning itself more closely with the stock market
iTraxx Crossover vs. NASDAQ 100 (inverted)



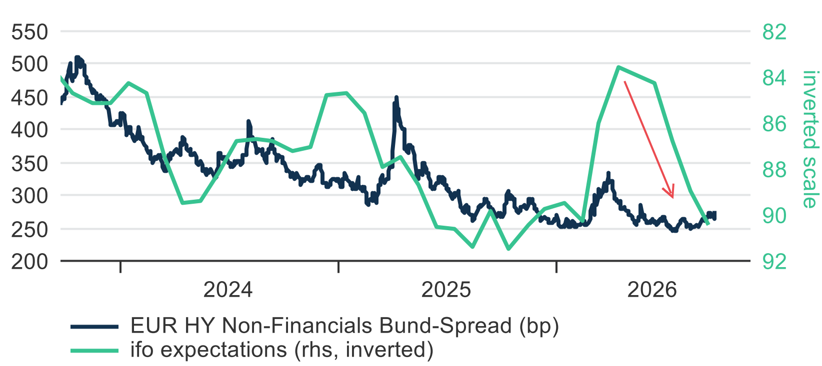
Source: LSEG, LBBW Research

Spreads remain very narrow

The published leading indicators provided support: The ifo Business Climate Index continued to rise in September – across the board. With the exception of the stagnant construction industry, all sectors posted gains. The service sector stands out in particular, as its sub-index is now back in positive territory. Credit spreads have traditionally shown a close inverse relationship with ifo expectations. The recent improvement thus provides some fundamental support for the very low spread level. The rise in bond yields over the past few weeks is largely attributable to the significant increase in German government bond yields.

ifo expectations underscore spread levels

ifo expectations continue to improve
EUR HY spreads over Bunds (in bps) vs. ifo expectations (inverted)



Source: LSEG, LBBW Research

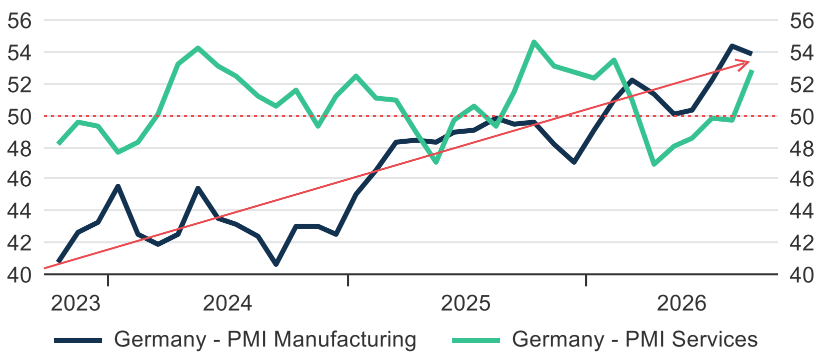
Mood is picking up

The German purchasing managers' indices were once again firmly in expansionary territory in September. The service sector, in particular, saw a noticeable increase – as reflected in the ifo Index. The composite index is now once again above its euro area counterpart. As a result, the sentiment indicators reflect a great deal of optimism.

More optimism, especially in services

Purchasing managers' indices rise

Germany's PMIs: manufacturing vs. services



German PMIs improve

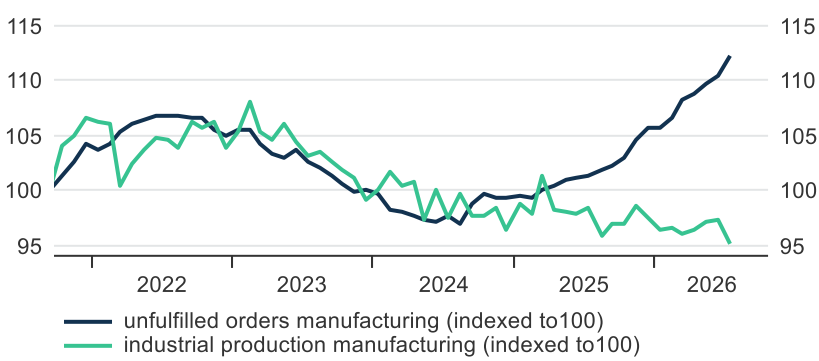
Source: LSEG, LBBW Research

The manufacturing sector's order backlog rose to new record highs in July. The gap between industrial production and the order backlog, thus, continued to widen. Since the order book is currently dominated by large orders, a delayed uptick in industrial production would not come as a surprise. The increase in the order backlog thus improves the chances of a gradual stabilization of industrial production.

More bulk contracts for manufacturing

Order backlog points to rising industrial production

Manufacturing order backlog vs. industrial production (Index as of the end of 2021)



Production lagging behind

Source: LSEG, LBBW Research

CONCLUSION – Economy must deliver now

Germany's growth outlook has brightened noticeably in recent times. By now, however, much of the positive sentiment has already been factored into the leading indicators. Although the growth forecasts, which were recently revised upward, are based in part on the already surprisingly strong first half of the year. However, the continued recovery expected in the coming quarters has yet to be confirmed. This certainly poses risks to the very low credit spreads. If expectations are not met, this could lead to an expansion. At present, however, we continue to expect credit yields to closely track yields on German government bonds, and thus for spreads to remain at low levels for the time being.

Optimism keeps spreads low

04 |

Calendar/Analytics

Developed Markets Overview

	2 Years			10 Years		
Euro Area	**Yields**	**Spread**	**Change***	**Yields**	**Spread**	**Change***
Bund	3,29			3,58		
Jumbo	3,59	30	5	4,04	46	4
Swap	3,58	29	4	3,65	7	3
Netherlands	3,31	2	4	3,66	8	0
Austria	3,23	-6	3	3,77	19	-1
France	3,57	28	1	4,65	107	2
Belgium	3,36	6	0	4,22	64	-2
Italy	3,53	24	1	4,50	92	1
Spain	3,34	4	1	4,05	47	-1
Ireland	n.a.	n.a.	n.a.	3,70	12	2
Portugal	3,35	6	4	3,95	37	-1
Greece	n.a.	n.a.	n.a.	4,42	84	5
EX. EURO AREA	**Yields**	**Spread**	**Change***	**Yields**	**Spread**	**Change***
USA	4,89	160	14	5,16	158	11
Canada	3,42	13	9	4,00	42	6
Japan	1,94	-135	7	3,09	-49	4
UK	4,91	162	6	5,38	180	3
Switzerland	0,40	-289	3	0,65	-293	1

* 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
28.09.2026	Belgium	OLO			€ 3.5 bn.	Tap
29.09.2026	Japan	JGB	40Y		JPY 500 bn.	
29.09.2026	Italy	BTP	5Y		€ 4 bn.	New
29.09.2026	Italy	BTP	10/36	4.00%	€ 3 bn.	Tap
29.09.2026	Italy	CCT	04/36	Float	€ 2 bn.	Tap
29.09.2026	Netherlands	NETHER	01/48		€ 6 bn.	New
29.09.2026	UK	UKT	10Y		GBP 4.25 bn.	Tap
30.09.2026	Japan	JGB	2Y		JPY 2.8 tn.	
30.09.2026	Germany	Bund	08/36	3.00%	€ 5.5 bn.	Tap
01.10.2026	France	OAT	11/36	3.70%	€ 8 bn.	Tap
01.10.2026	France	OAT	15Y - 30Y		€ 5 bn.	Tap
01.10.2026	Spain	SPGB	3Y - 30Y		€ 5.5 bn.	Tap
01.10.2026	Spain	SPG€i			€ 0.5 bn.	Tap

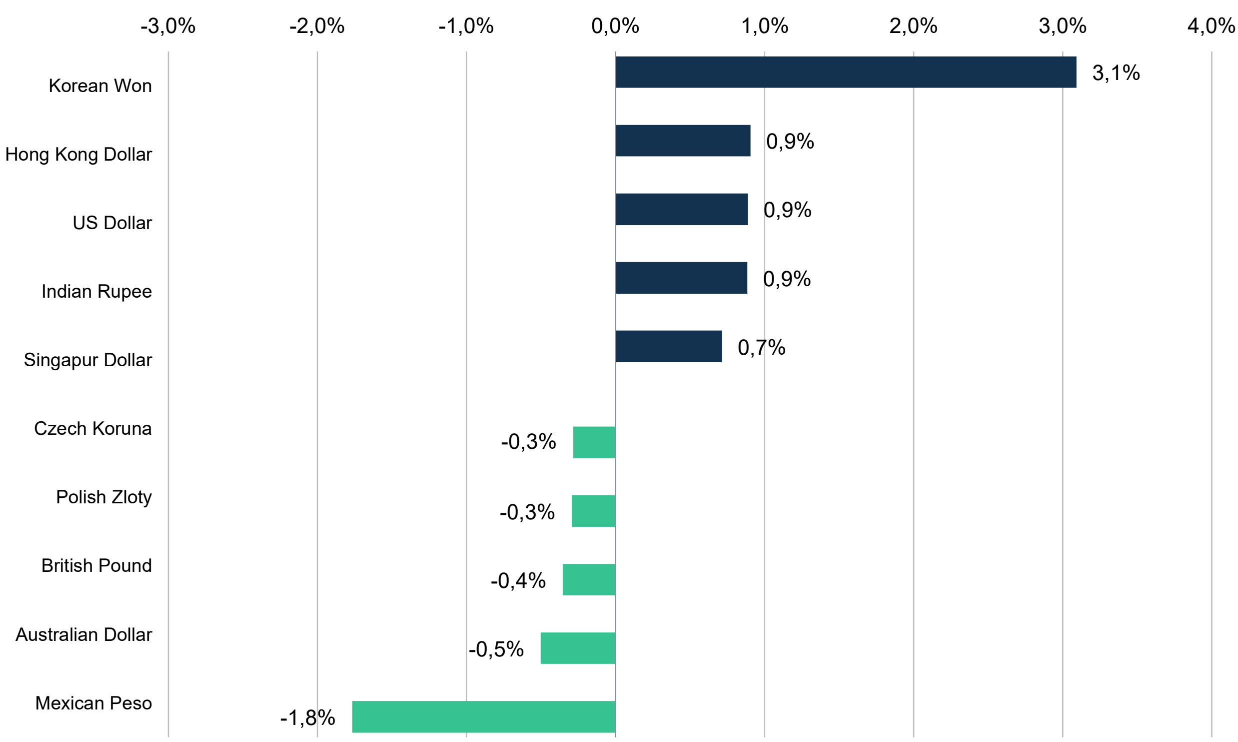
Sources: Bloomberg, LBBW Research

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	29.10.26	2,50%	10.09.26	2,25%	3,2%	↑			
United States	28.10.26	4,00%	16.09.26	3,75%	3,4%	↑	1,6%	1,1377	1,1466
United Kingdom	05.11.26	3,75%	18.12.25	4,00%	3,1%	•	0,5%	0,8606	0,8665
Japan	30.10.26	1,25%	18.09.26	1,00%	1,9%	↗	2,4%	180,00	178,68
China	***	2,00%	25.09.24	2,30%	0,8%	↘	4,5%	7,64	7,58
Switzerland	10.12.26	0,00%	19.06.25	0,25%	0,8%	↑	-3,0%	0,9430	0,9295
Argentina	***	29,00%	31.01.25	32,00%	33,3%	↘	-6,8%	1.727,22	1.935,19
Australia	29.09.26	4,35%	05.05.26	4,10%	3,2%	↗	2,6%	1,62	1,64
Brazil	04.11.26	13,75%	16.09.26	14,00%	4,2%	•	2,8%	5,91	6,16
Canada	28.10.26	2,25%	29.10.25	2,50%	3,0%	↑	-0,9%	1,61	1,61
Czech Republic	05.11.26	3,75%	18.06.26	3,50%	1,9%	↗	0,4%	24,40	24,50
Denmark	***	2,25%	11.09.26	2,00%	2,0%	↑	0,0%	7,48	7,46
Hong Kong	***	4,25%	08.11.24	4,00%	1,7%	•	1,3%	8,92	8,94
Hungary	20.10.26	5,50%	25.08.26	5,75%	1,3%	•	6,1%	365,07	369,46
India	07.10.26	5,25%	06.02.25	5,50%	4,8%	↑	0,0%	109,05	111,94
Indonesia	21.10.26	5,75%	18.06.26	5,50%	3,2%	↓	-3,9%	20.405,50	20.771,08
Mexico	05.11.26	6,50%	07.05.26	6,75%	3,3%	↘	1,9%	20,15	20,58
New Zealand	28.10.26	2,75%	02.09.26	2,50%	4,1%	↑	-0,9%	2,01	2,01
Norway	05.11.26	4,50%	24.09.26	4,25%	3,3%	↗	3,5%	10,83	10,93
Poland	07.10.26	3,75%	04.03.26	4,00%	3,4%	↗	-2,3%	4,38	4,41
Romania	08.10.26	6,50%	07.08.24	6,75%	6,2%	↓	-3,4%	5,27	5,38
Russia	23.10.26	14,00%	24.07.26	14,25%	6,3%	•	-3,2%	96,63	102,78
Singapore	***	2,10%	n.a.	1,96%	2,3%	↑	1,8%	1,45	1,45
South Africa	19.11.26	7,25%	23.09.26	7,00%	4,4%	↑	5,1%	18,66	19,03
South Korea	22.10.26	3,00%	27.08.26	2,75%	3,1%	↑	12,3%	1.548,05	1.554,16
Sweden	04.11.26	1,75%	23.09.25	2,00%	0,3%	•	-4,2%	11,28	11,24
Turkey	22.10.26	37,00%	22.01.26	38,00%	31,5%	•	-8,0%	55,75	65,11

Sources: Bloomberg, LBBW Research

The Strongest Currency Appreciations and Depreciations Against the Euro This Week

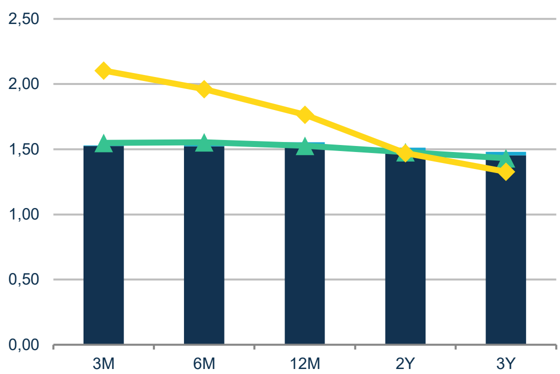


Sources: Bloomberg, LBBW, Research

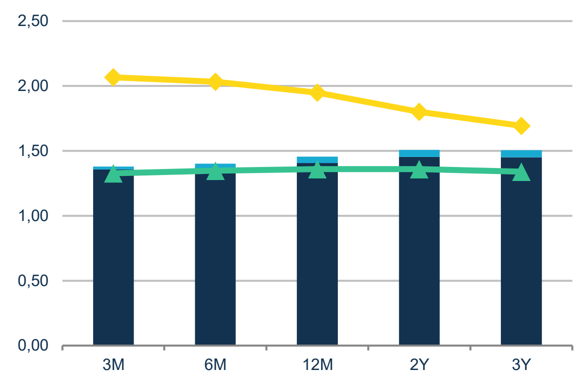
Interest rate differential and FX insurance costs vs. the Euro for selected currencies

interest rate differential, basis swap rates and insurance costs

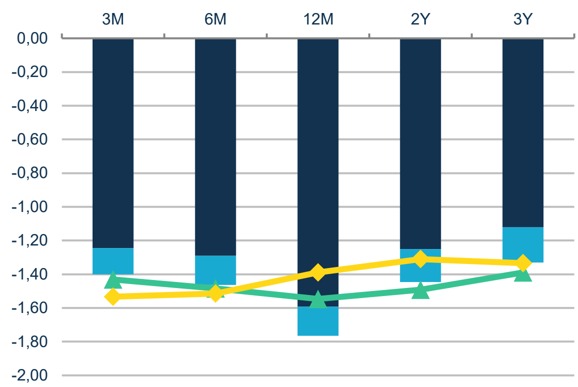
US dollar



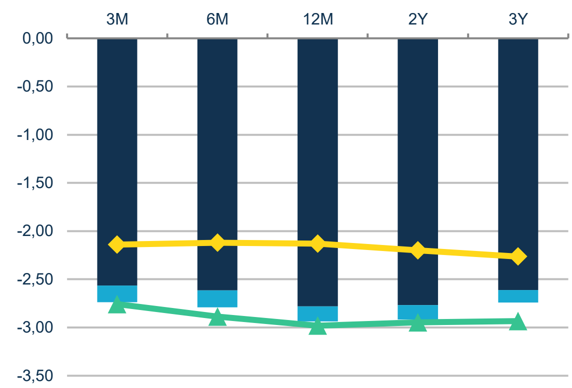
British pound



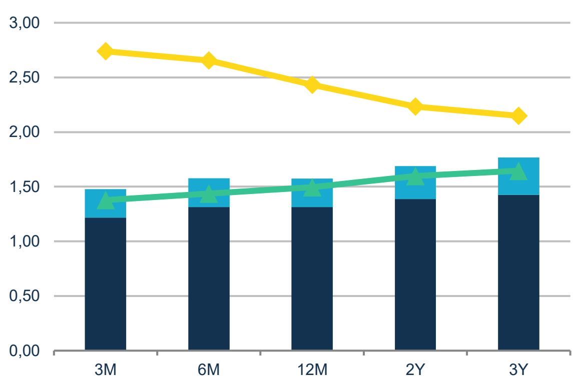
Japanese yen



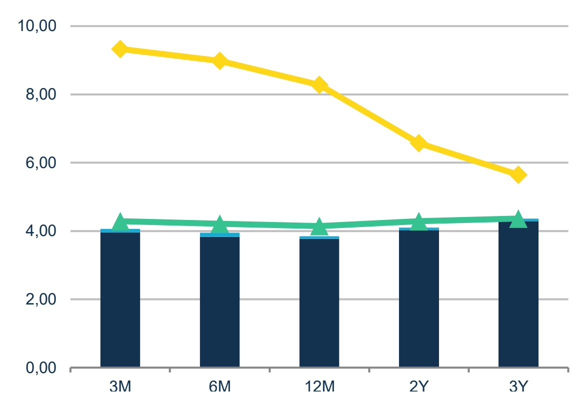
Swiss franc



Polish zloty



Mexican peso



- interest rate differential
- basis swap rates
- insurance costs (p.a.; current)
- insurance costs one year ago

Sources: Bloomberg, LBBW Research

Credit Spreads

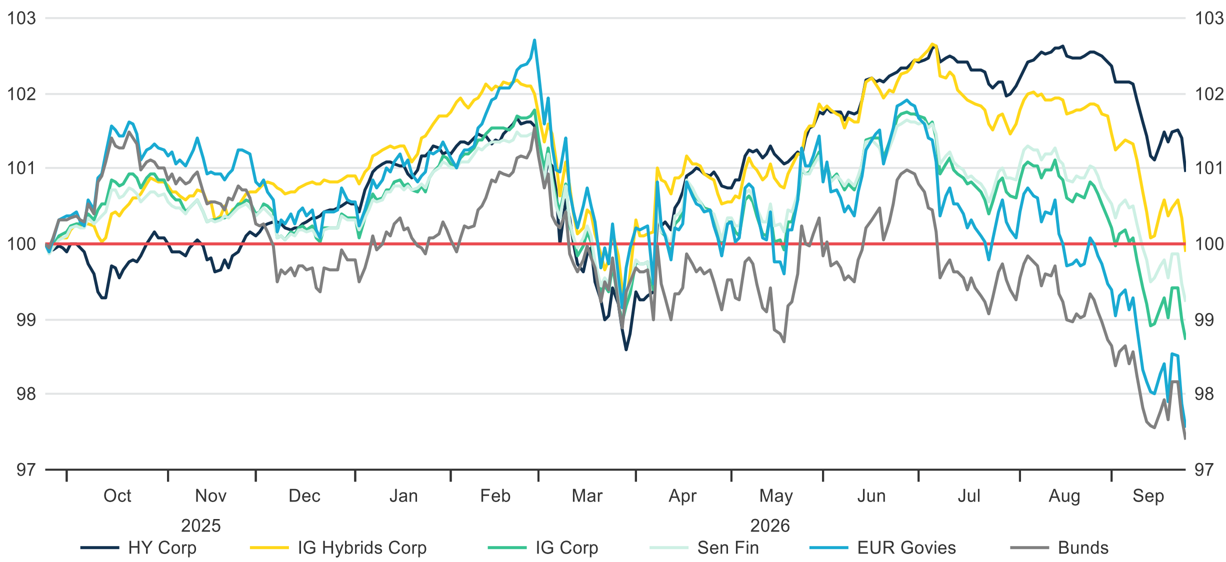
5Y CDS Spreads	Current	Changes 1W	1M	3M	6M	1Y
IG Corporates	54	0	4	3	-13	-3
HY & NR Corporates	257	-2	11	10	-79	-12
Senior Financials	58	1	5	4	-15	-7
Sub Financials	96	3	9	8	-31	-7

EUR Indices	Current	Changes 1W	1M	3M	6M	1Y
Non-Financials	74	-1	1	-1	-9	-5
Banks Senior Preferred	53	1	2	1	-9	-7
Banks Senior Bail-in	73	2	3	1	-9	-4
Banks Subordinated	109	3	6	2	-13	-9

*time lag of one day, Asset Swap Spreads 25.09.2026

Sources: LSEG, LBBW Research

Performance Credits vs. Bunds (LTM – last twelve months)



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 Governments	Multi-Callables
		0/+	4-7 years	0	German Bunds	Inflation-linked bonds
		0	8-10 years	0/-	USD-Bonds	
Credit	0/+	0/+	Corporate Inv. Grade	0/-	Emerging Markets Debt	
		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

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