

CW 42/2026 | LBBW Research | Strategy/Macro

Is the mood shifting on the bond market?

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01 | Our View

Bond Market Movers – Review and Outlook

What drove the bond markets last week?

- A renewed escalation of the military conflict between Saudi Arabia and the Yemeni Houthi rebels is keeping tensions high in the Middle East and driving up energy prices. Natural gas prices in Europe marked their highest level since late 2022.
- U.S. inflation rose more than expected in September. The core rate also came in higher than expected, as price pressures in the services sector mounted.
- Several influential Federal Reserve officials have spoken out against hasty further tightening of monetary policy.
- Remarks by Broadcom's CEO have fueled concerns that the AI investment boom may be coming to an end.
- The IMF has revised its global GDP growth forecast slightly upward, but at the same time warns of risks to the global economy's resilience.
- In France, the second government bond auction since the recent escalation of deficit concerns again proceeded rather smoothly overall. The Trésor was able to place bonds with maturities ranging from five to seven years, completely filling the targeted total volume of 12 billion EUR.

What could drive the market next week?

- The financial markets are set to remain under the spell of news from the Middle East and developments in commodity prices.
- In addition, investors are likely to be paying close attention to information regarding France's budget plans for 2027. Meanwhile, France is facing a potential credit rating downgrade by Moody's®.
- As for the macroeconomic calendar, the focus will be on the purchasing managers' indices for the eurozone. According to our forecast, the recent positive trend in sentiment is facing a modest setback.
- China will be the first among the major economies to release its GDP growth figures for the third quarter.
- In the primary market for U.S. Treasuries, the focus next week will be on the tap of the 20-year T-bonds. Meanwhile, supply pressure in the primary market for euro-denominated government bonds is expected to slump sharply compared with last week. We expect gross supply of only about 3 billion EUR, down from more than 40 billion EUR the previous week. Thanks to solid reflows from maturing obligations, net cash flows are poised to make a significant leap well into positive territory.

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Is the mood shifting on the bond market?

AI worries overshadow bond-negative U.S. inflation surprise

The U.S. Treasury market has been on a recovery track over the past few trading days. The yield on 10-year U.S. Treasuries fell by as much as it had last in May 2026, slipping to a three-week low. The seemingly relentless selling pressure has thus subsided for the time being. Based on the experiences of the past few weeks, we do believe that caution is still warranted: Periods of stabilization, or even recovery, were always short-lived; the next wave of sell-offs was usually just a few days away. Looking back on this week, however, it is worth noting that the positive trend in bond prices prevailed despite a mix of conflicting factors. A key factor behind the rise in prices on the U.S. Treasury market was that voices of caution regarding the AI boom appear to be growing louder. The CEO of the semiconductor and software company Broadcom compared the sentiment surrounding the AI story to a “casino,” suggesting that there have been irrational elements to the hype of the past few months. South Korea's stock market, which had already suffered sharp declines from its highs over the summer, came under heavy downward pressure once again. Furthermore, during its annual meeting, the IMF issued clear warnings regarding the risks posed by AI. Growing investor concerns about a looming end of the boom tend to bolster demand for the safety of U.S. Treasury securities.

Chart of the Week

Yields on 10-Year U.S. Treasuries and the Korean Stock Index



Source: Bloomberg, LBBW Research

Meanwhile, two factors may stand in the way of a sustained improvement in sentiment on the bond market. First of all, there is still no sign of the situation in the Middle East easing, on the contrary: The conflict between Saudi Arabia and the Yemeni Houthi rebels has continued to escalate in recent days. The price of Brent crude oil has, for the time being, remained stuck above the USD 100 mark. In Europe, the price of natural gas even surged to its highest level since late 2022, fueling concerns on this side of the Atlantic about sustained upward pressure on inflation during the winter months. The yield on 10-year Bunds, with its recent volatile consolidation in the range of 3.50%, appears to have decoupled itself, at least for the time being, from the repeated spikes in energy prices. However, this top formation in bond yields could prove to be fragile if investor uncertainty surrounding AI were to subside and inflation concerns were to come back to the forefront.

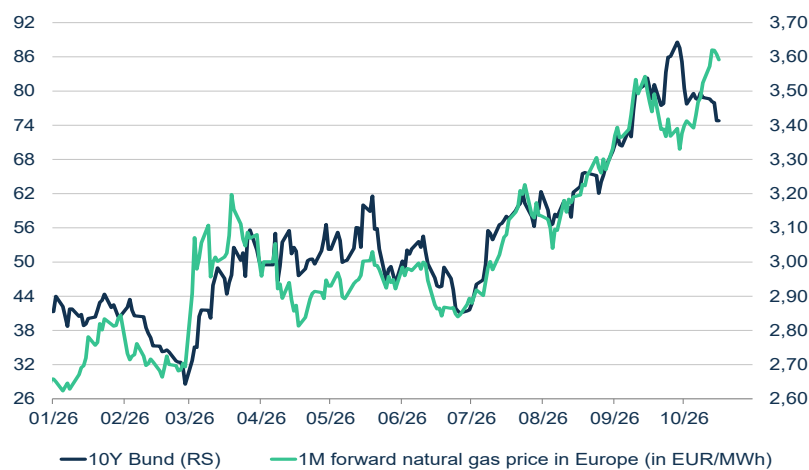
Yields have slumped across the board

AI worries are taking a toll, above all on Asian stock markets

No end in sight to the tensions in the Middle East, ...

Is the Bund yield decoupling from energy prices?

Yields on 10-Year German Bunds and gas prices in Europe

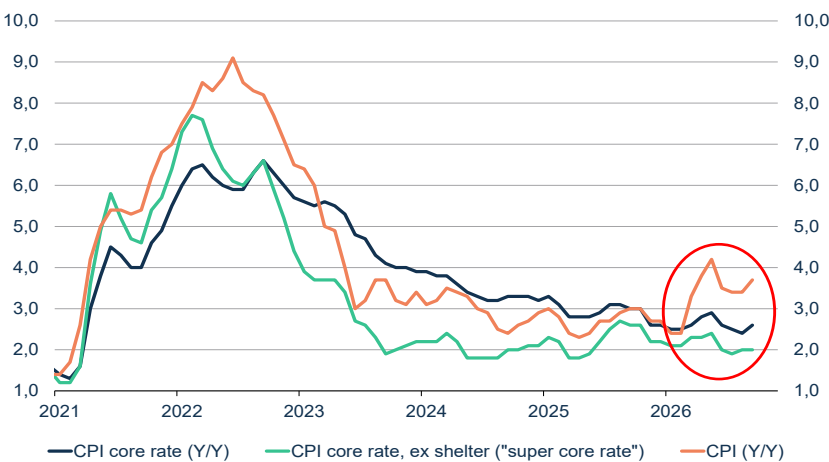


Source: Bloomberg, LBBW Research

Second, the rise in consumer prices in the U.S. accelerated more than expected in September. Driven by soaring fuel prices, the year-over-year rate of change in the CPI climbed to 3.7%. Beyond energy prices, upward pressure was also above consensus, as the core rate rose from 2.4% to 2.6% (Y/Y). The upward surprise in core inflation is grist for the mill of the monetary policy hawks within the Federal Reserve. In our view, this reinforces the likelihood that the Fed will tighten monetary policy again by the end of this year.

Energy and housing costs drove U.S. inflation in September

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



Source: Bloomberg, LBBW Research

Fed likely to hold off on rate hike in October despite higher inflation

Nevertheless, we maintain our view that U.S. monetary policymakers will wait until their meeting two sessions from now, in December, before deciding on another hike. First, several influential Fed officials have spoken out publicly in recent days against a hasty tightening of monetary policy. Among the reasons cited for taking a measured approach was the presumed dampening effect on economic activity of the recent sharp rise in long-term bond yields. Incidentally, similar statements have also been made repeatedly by the ECB since the beginning of this month. Second, the surprisingly sharp rise in U.S. core inflation in September was primarily due to an above-average increase in shelter costs. In our view, therefore, the price spike cannot be directly attributed to a sudden onset of the widely feared second-round effects resulting from the surge in en-

... but Bund yield consolidates despite a fresh annual high in gas prices

U.S. inflation higher across the board than expected

Several reasons why the Fed may pause anyway

ergy prices. Rather, the possibility of a one-off must be taken into account, especially since upward pressure on housing costs had previously been on a downward trend. The “super-core rate,” calculated excluding shelter costs, remained at 2% in September (see chart above).

Third, market-based long-term inflation expectations for the US have remained stable on balance over the past few months, with only moderate fluctuations. In our view, there is no immediate threat of inflation expectations becoming unanchored, which would force the Fed to take strong, decisive monetary policy action. Against this backdrop, the past sharp rise in long-term USD rates appears to be primarily the result of a jump in term premiums driven by escalating sovereign debt concerns (see the chart below). The resilience of the U.S. economic recovery to date, which could eventually be undermined if sustained doubts arise about the AI boom, is also likely to have played a role.

Long-term inflation expectations have been stable on balance

Yields on 10-Year U.S. Treasuries and long-term inflation expectations in the USD rates market



Source: Bloomberg, LBBW Research

Outlook: How far will the “short-covering rally” go?

In the wake of the surprise bond-negative U.S. inflation reading, the possibility of a Fed rate hike at its October meeting has once again become somewhat more likely. At the same time, however, the renewed uncertainty surrounding the topic of AI has also dampened market participants' medium-term rate hiking expectations on both sides of the Atlantic. We also suspect that speculative-oriented market participants have felt increasingly compelled in recent days to cover their positions directed to a further decline in prices of long-term U.S. Treasuries. As part of this “short-covering rally,” we believe the 10-year U.S. benchmark yield may well test the 5% support level in the following days. However, the headwinds for the bond market that continue to simmer in the background suggest that a sustained slide below this yield level is not that likely right now – provided the AI hype does not collapse in an uncontrolled manner.

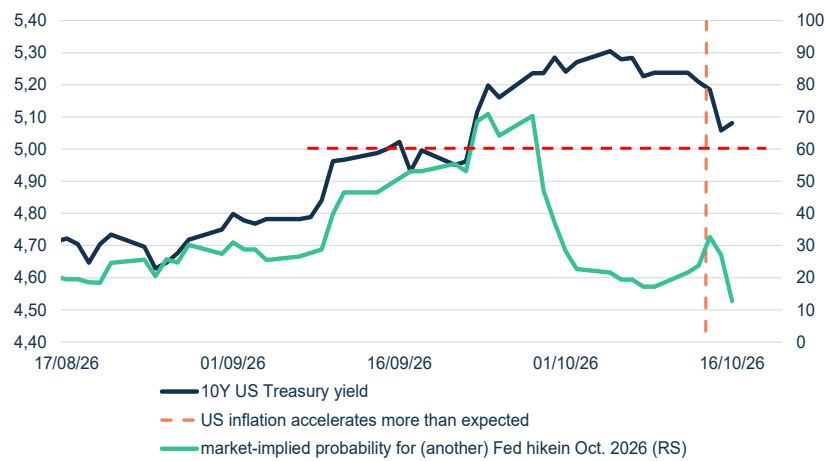
Second-round effects remain limited

Inflation expectations do not signal a cause for alarm

Short covering has fueled the price rally, ...

An October Fed hike briefly came back on the table again

Market-implied probability of a Fed rate hike in October and the yield on 10-year U.S. Treasuries



Meanwhile, looking at the macroeconomic calendar, we see only limited potential for giving bond prices a new direction in the coming trading week. The calendar is generally light, though the S&P Global Purchasing Managers' Indices for the eurozone (Oct. 23) are likely to be the highlight of the week. Given the upturn in sentiment over the past few months, we expect a slight pullback. Taken on its own, this could push the recent bond-positive trends a bit further. By the end of next week, attention will finally turn to France. In our view, there is a high risk of a rating downgrade by Moody's®. With regard to the French government bond market, such negative rating news would mark the first test of the tentative stabilization of risk premiums that has emerged over the past two weeks.

... however,
we do not expect
the 10-year yield
to lastingly slip
below 5%

PMIs will be the
macro highlight;
France faces
a downgrade

Forecasts at a Glance

Euro Area		Spot	31.12.26	30.06.27	31.12.27
ECB Main Refinancing Rate		2,65	2,90	3,15	2,90
ECB Deposit Rate		2,50	2,75	3,00	2,75
Overnight Rate (€STR)		2,44	2,70	2,95	2,75
3M Euribor		2,64	2,85	3,05	2,75
Swap 2Y		3,37	3,50	3,25	2,75
Swap 5Y		3,43	3,60	3,35	3,00
Swap 10Y		3,50	3,65	3,50	3,30
Bund 2Y		3,11	3,25	3,05	2,60
Bund 5Y		3,21	3,40	3,20	2,90
Bund 10Y		3,41	3,60	3,50	3,35
Swap/Bund 2Y		26	25	20	15
Swap/Bund 5Y		21	20	15	10
Swap/Bund 10Y		9	5	0	-5
Spread BBB Corporates/Bund		110	100	105	110
USA		Spot	31.12.26	30.06.27	31.12.27
Fed Funds Target Rate		4,00	4,25	4,25	4,00
Overnight Rate (SOFR)		3,88	4,15	4,15	3,90
3M Money Market		4,06	4,30	4,15	3,90
Swap 2J (SOFR-OIS)		4,61	4,60	4,15	3,75
Swap 5J (SOFR-OIS)		4,62	4,60	4,25	3,95
Swap 10J (SOFR-OIS)		4,71	4,70	4,50	4,30
Treasury 2Y		4,75	4,75	4,35	3,95
Treasury 5Y		4,90	4,90	4,60	4,30
Treasury 10Y		5,09	5,10	4,95	4,80
G5		Spot	31.12.26	30.06.27	31.12.27
Japan	Overnight Rate (TONAR)	1,23	1,55	1,80	2,05
Japan	10Y Government Bond	2,94	3,15	3,25	3,30
UK	Overnight Rate (SONIA)	3,73	3,95	4,20	3,95
UK	10Y Government Bond	5,37	5,30	5,20	5,00
Switzerland	Overnight Rate (SARON)	-0,04	-0,05	0,20	0,20
Switzerland	10Y Government Bond	0,54	0,60	0,60	0,50
FX		Spot	31.12.26	30.06.27	31.12.27
EURCHF		0,9285	0,93	0,94	0,95
EURCNY		7,5093	7,71	7,36	7,43
EURGBP		0,8442	0,85	0,85	0,85
EURJPY		177,28	182	178	176
EURUSD		1,1226	1,15	1,15	1,17
USDCHF		0,8271	0,81	0,82	0,81
USDCNY		6,6891	6,70	6,40	6,35
GBPUSD		1,3298	1,35	1,35	1,38
USDJPY		157,93	158	155	150
Economic Development		2024	2025	2026e	2027e
 Germany	GDP	0,0	0,4	1,0	1,0
	Inflation	2,3	2,2	2,8	2,6
 Euro Area	GDP	1,1	1,5	1,0	1,3
	Inflation	2,4	2,1	3,0	2,5
 UK	GDP	1,1	1,3	1,3	1,2
	Inflation	2,5	3,2	3,2	2,5
 USA	GDP	3,0	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

- Global Economy:** IMF slightly raises its global GDP growth forecast for 2026, from 3.0% to 3.1% – Forecast for 2027 remains unchanged at 3.4% – The resilience of the global economy, however, is “under strain,” and “decisive” policy action is needed – IMF advocates for “targeted, time-limited” government interventions to mitigate the cost-of-living crisis rather than broad-based interventions – Growth outlook for Europe, and especially for Germany, has improved significantly – forecasts for emerging markets, on the other hand, have been moderately revised downward.
- Global Debt:** IMF warns of a “dangerous self-reinforcing cycle” caused by ever-increasing global debt – bond yields are straining public budgets, while growing deficits and doubts about debt sustainability are further driving up financing costs, increasingly limiting governments’ room to maneuver – monetary policy is facing new challenges – according to the IMF’s forecast, global government debt is expected to exceed 100% of global GDP by 2030.
- Global Financial Stability:** IMF cites circular financing in the AI sector as one of the greatest risks to financial markets – approximately 1.4 billion USD in funding commitments are tied to a small number of, often weaker, entities – IMF cites a sharp rise in government bond yields and cyberattacks as additional acute risks.
- Global Labor Market:** IMF Managing Director Georgieva warns of a “slow-moving tsunami” of job losses and tax revenue shortfalls caused by AI – AI is taking over repetitive, routine tasks and, in turn, creating low-paying jobs in certain sectors – At the same time, AI also holds the potential for positive growth effects – a recent Deloitte survey for the United Kingdom shows that 52% of CFOs expect job cuts due to AI in the coming twelve months.
- Middle East Conflict – Energy Price Crisis:** Saudi Arabia reports to OPEC that its oil production rose by about 30% in September to just under 8.4 million barrels per day – Volume still noticeably below pre-Iran War levels – total OPEC production rose by 920,000 barrels per day, or approximately 4%, compared with the previous month.
- Middle East Conflict – Energy Price Crisis:** The International Energy Agency (IEA) expects the supply situation for gas oil products such as diesel and heating oil to remain “tight” well into the coming year – IEA points to ongoing disruptions to exports from the Middle East and Russia – the continued drawdown of inventories is a cause for concern.
- Geopolitics:** U.S. President Trump announces suspension of sanctions on Russian diesel exports to ease shortages on the global market – Trump also lambasts the Ukrainian leadership as an obstacle to peace negotiations with Russia and calls for a “new president” for Ukraine – European nations express outrage over Trump’s deal with Russia.
- Monetary Policy – ECB:** ECB President Lagarde reiterates that no second-round effects on inflation have been observed so far – the ECB is currently assessing the extent to which indirect effects resulting from the surge in energy prices are feeding into the broader economy – ECB President emphasizes “extreme attentiveness” with regard to the medium-term 2% inflation target.
- Monetary Policy – Fed:** Governor Waller reaffirms that inflation expectations are firmly anchored in the U.S. – recent rise in bond yields not attributable to growing inflation concerns – according to Waller, the rise in yields could help the Fed fulfill its mandate to curb rising demand – Governor Bowman emphasizes that she sees no urgent need for another swift rate hike.

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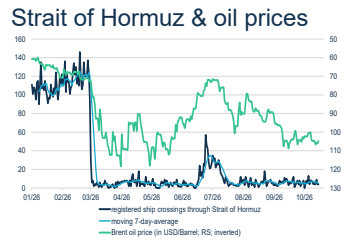
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IMF growth forecasts						
GDP forecasts (Y/Y)	2025	2026		2027		
		Oct 2025	Jul 2025	Oct 2026	Jul 2026	
World	3.5	3.1	3.0	3.4	3.4	
Developed countries	1.9	2.1	1.7	1.8	1.8	
USA	2.1	2.3	2.3	2.3	2.2	
Euro area	1.4	1.1	0.9	1.2	1.2	
Germany	0.2	1.3	0.7	1.1	1.0	
France	0.9	0.4	0.6	0.7	0.9	
Italy	0.5	0.8	0.5	0.6	0.5	
Spain	2.8	2.5	2.1	1.8	1.8	
UK	1.4	1.3	1.0	1.2	1.3	
Japan	1.1	0.7	0.6	0.7	0.7	
Emerging Markets	4.5	3.7	3.8	4.4	4.5	
China	5.0	4.5	4.6	4.0	4.1	
Russia	1.0	0.9	1.1	0.9	1.1	
Brazil	2.3	2.2	2.4	1.9	2.2	
India	7.8	7.0	6.4	7.0	6.7	
World Inflation (Y/Y)	4.1	4.7	4.7	4.1	3.9	

Sources: IMF, LBBW Research

IMF warns of a debt spiral and of AI risks



Sources: Bloomberg, LBBW Research

Europe outraged over Trump's “diesel deal”

- **Monetary Policy – Fed:** FOMC Vice Chair Williams still considers another interest rate hike this year to be necessary – though he currently sees no need for additional tightening next year – still, he notes that the outlook is very uncertain at this time, and that the impact of the AI boom on inflation is being closely monitored.
- **Fed – Beige Book:** The Federal Reserve’s economic report notes a robust or accelerating pace of inflation in half of the Fed districts – price pressures from various sources, with reports also indicating that higher fuel prices are being passed along the supply chain – Economic output grew “somewhat” in most districts, while employment remained largely unchanged.
- **Germany – Debt:** The Stability Council, which monitors Germany’s public finances, expects the public debt-to-GDP ratio to jump to 78% in 2030, up from 62% in 2025 – deficit-to-GDP ratio is expected to surge to 5.2% of GDP in 2027 and settle just below 5% in the medium term.
- **Germany – Tax Policy:** Chancellor Merz hints at cutting the Electricity Tax to the minimum permitted under European Law for all consumers – measure had previously been decided only for select economic sectors – expansion would provide tax relief totaling 5 billion EUR– CDU leadership also reaffirms its political focus on economic growth and reducing bureaucracy.
- **EU – Trade Policy:** EU reaches agreement with China on measures to cap exports of Chinese hybrid vehicles to Europe – The European Commission mentions limiting imports to 350,000 vehicles per year – The German government is urging Brussels to quickly set import caps for additional products from China, including chemical products and machinery.
- **EU – Budget Policy:** Chancellor Merz rejects the Irish Council Presidency’s compromise proposal on the EU budget framework for the new budget period beginning in 2028 as “unaffordable” – the proposal calls for a 30% increase in the budget to 1.6 billion EUR – other net contributor countries such as Sweden and the Netherlands share this rejection – EU Council President Costa is now expected to draft a new compromise proposal by the time of a special EU summit to be held on November 26, which is likely to include ideas for new sources of funding for the EU.
- **U.S. – Economy:** Retail sales were driven up unexpectedly sharply in September by a strong increase in sales at gas stations, rising by 0.8% (M/M), following +1.3% in August – “Core sales,” excluding gasoline and cars, posted only a moderate increase of 0.2%.
- **U.S. – Economy:** According to a University of Michigan survey, consumer confidence continued its downward trend in October – overall index fell from 48.1 to 46.3 points, its lowest level since May 2026 – Assessment of current conditions deteriorates significantly – Consumers’ inflation expectations climbed slightly both in the short term (4.7%) and in the longer term (3.5%).
- **U.S. – Inflation:** Inflationary pressure rose more than expected in September, reaching 3.7% (Y/Y), up from 3.4% in August – spike in gasoline prices accounted for about half of the month-over-month increase in the index – core rate also came in higher than expected at 2.6%, up from 2.4% – Housing costs were a major contributor.
- **U.S. – Inflation:** Producer prices also came in higher than expected in September, rising 6.3% (Y/Y), the sharpest increase since December 2022, following a 5.6% increase in August – with the core producer price index also coming in higher than expected.
- **U.S. – Labor Market:** The weekly ADP report shows an average job gain of 24,750 for the four-week period ending September 26, virtually unchanged from the previous period (25,250).

Beige Book cites mounting inflationary pressure

Merz rejects EU budget compromise

Fuel and housing costs driving U.S. inflation

- *China – Inflation:* Inflation rose slightly in September to 0.9% (Y/Y), up from 0.8% in August – core rate remained stable at 1.0%.
- *France – Fiscal Policy:* According to the rating agency Fitch, the government's budget plans highlight the growing difficulties in curbing the deficit and stabilizing the debt-to-GDP ratio in a weak growth environment – a deteriorated fiscal position requires greater consolidation efforts than previously assumed in order to stabilize the debt level.
- *France – Financial Stability:* Financial market regulators confirm that French banks have limited exposure to the country's public debt problems – according to them, those pose no risks to financial stability – as of 2025, French banks held EUR 190 billion in the country's government bonds, approximately 2% of their total assets – exposure to the public sector is thus lower than in comparable eurozone countries.
- *France – Government Bond Market:* Former ECB President Draghi sees significant obstacles to the central bank intervening with bond purchases to support the French government bond market – he says high and rising inflation is currently the ECB's top priority – According to Draghi, the eurozone is currently “far from” a repeat of the debt crisis of the 2010s.
- *AI – Investments:* Broadcom CEO fuels concerns about an end of the AI investment boom – saying the current market sentiment is comparable to a “casino” – and that financing further infrastructure expansion will prove to be a “core problem.”
- *AI:* A recent BIS analysis takes a critical view of the AI growth frenzy – arguing that job losses resulting from rapid automation threaten further innovation and ultimately undermine AI's funding base.

France: Fitch
sees need
for more
consolidation

BIS critical
of AI euphoria

Next Week's Data

TIME	COUNTRY		PERIOD	LBBW FORECAST	CONSENSUS FORECAST ¹⁾	LAST VALUE ²⁾	IMPORTANCE
FRIDAY, 16.10.2026							
11:00	EMU	HICP (Y/Y) (final)	Sep	3,8	3,8	3,8	*
11:00	EMU	Trade Balance (bn EUR)	Aug	-	-	5,0	*
14:30	USA	Import Price Index (M/M)	Sep	-	1,0	0,7	*
15:15	USA	Industrial Production (M/M)	Sep	0,4	0,4	0,0	**
15:15	USA	Capacity Utilization (in %)	Sep	76,5	76,5	76,3	*
22:00	USA	Net Long-Term TIC Flow s (bn USD)	Aug	-	-	-27,9	*
MONDAY, 19.10.2026							
04:00	CHN	GDP (Y/Y)	Q3	-	4,4	4,3	***
04:00	CHN	Industrial Production (Y/Y)	Sep	5,4	5,4	5,2	**
04:00	CHN	Retail Sales (Y/Y)	Sep	0,1	0,5	0,4	**
16:00	USA	NAHB Index	Oct	32	31	32	**
TUESDAY, 20.10.2026							
08:00	GE	PPI (M/M)	Sep	2,0	-	1,1	*
11:00	GE	ZEW Index	Oct	30,0	33,0	34,7	**
14:30	USA	Housing Starts (thous.)	Sep	1310	1305	1275	**
14:30	USA	Building Permits (thous.) (prelim.)	Sep	1385	1385	1403	**
16:00	USA	Pending Home Sales (M/M)	Sep	-	0,0	0,3	*
THURSDAY, 22.10.2026							
16:00	EMU	Consumer Confidence (prelim.)	Oct	-17,0	-	-16,5	*
16:00	USA	Index of Leading Indicators	Sep	-	-0,2	-0,1	*
FRIDAY, 23.10.2026							
01:30	JPN	National CPI (Y/Y)	Sep	2,8	2,1	1,9	*
09:30	GE	PMI Manufacturing (prelim.)	Oct	53,0	-	53,9	***
09:30	GE	PMI Services (prelim.)	Oct	52,5	-	52,9	***
09:30	GE	PMI Composite (prelim.)	Oct	52,8	-	53,8	***
10:00	EMU	PMI Manufacturing (prelim.)	Oct	52,5	-	52,9	***
10:00	EMU	PMI Services (prelim.)	Oct	52,5	-	53,0	***
10:00	EMU	PMI Composite (prelim.)	Oct	52,5	-	53,1	***
10:00	EMU	ECB publishes consumers' inflation expectations (1 Year, 3 Years)					**
16:00	USA	Uni Michigan Consumer Confidence (final)	Oct	-	46,3	46,3	**
	FR	Rating Review France (Moody's®)					***
	GE	Rating Review Germany (S&P)					**
	IRL	Rating Review Ireland (Fitch)					**

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

Linkers: Inflation expectations show initial signs of peaking

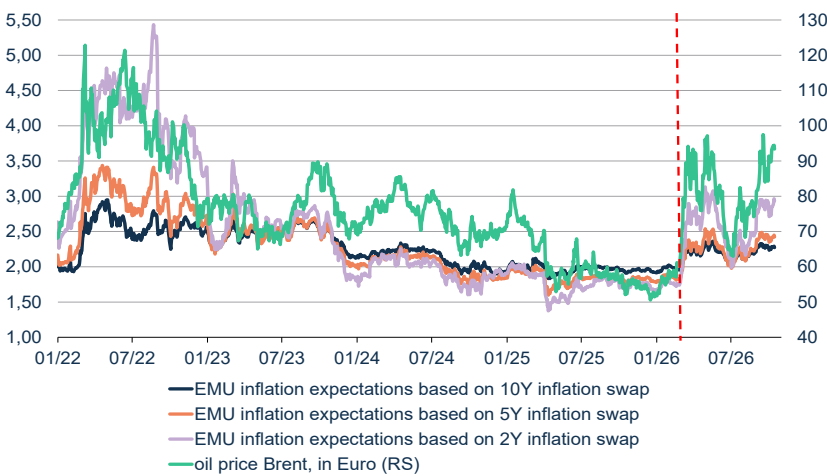
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YTD performance falls below zero

Inflation-protected EUR government bonds have been drawn deeper into the maelstrom of increasingly gloomy sentiment in global bond markets in recent weeks. For the first time since the outbreak of the Iran War in late February of this year, Linkers were hit even harder than the broader market amid an overarching sell-off. As a result, the YTD performance of the Linkers fell below zero at the end of September, before rebounding somewhat in the first half of October – a situation that, this year, had previously occurred only in the first few days of January. In the short term, therefore, the effectiveness of inflation protection has diminished, whereas it continues to pay off when viewed over the course of the entire year: Measured in terms of the iBoxx Euro Sovereign inflation-linked Index, Linkers have posted a performance of 0.3% since the start of 2026, compared with -2.4% for the government bond market as a whole.

Inflation expectations remain stable at elevated levels

EUR inflation swap rates for selected maturities and the Brent crude oil price (futures, in EUR/barrel)



Source: Bloomberg, LBBW Research

Our interpretation of the modest relative weakness of inflation-protected bonds in September is as follows: The sharp rise in overall yield levels was no longer driven by escalating inflation fears. On the contrary, real yields on the euro-denominated government bond market have risen at an above-average rate. At the same time, market-based inflation expectations have recently shown signs of forming an initial top. The break-even inflation curves (BEI curves) have remained markedly inverted (see the chart above). Since mid-September, the 10-year EUR inflation swap rate has, on balance, stabilized at just below 2.30%, some basis points shy of its annual high reached in the spring. Since the outbreak of the war in the Middle East, the swap rate has risen by a good quarter of a percentage point. Long-term forward inflation expectations remained within their established range of 2.1% to 2.2%.

YTD: Linkers still in the lead by about 2.5%-points

Inflation expectations have held below the annual high

Real bond yields have recently risen more than average

Standoff in the Middle East vs. stable core inflation

The trend in international crude oil prices appears to remain set as the most important yardstick for inflation expectations, as well as for the shape of the BEI curves. Hopes for a de-escalation in the Gulf have been dashed time and again in recent weeks. However, the rates market has no more reacted with a wave of growing inflation fears to recent isolated signs of escalation.

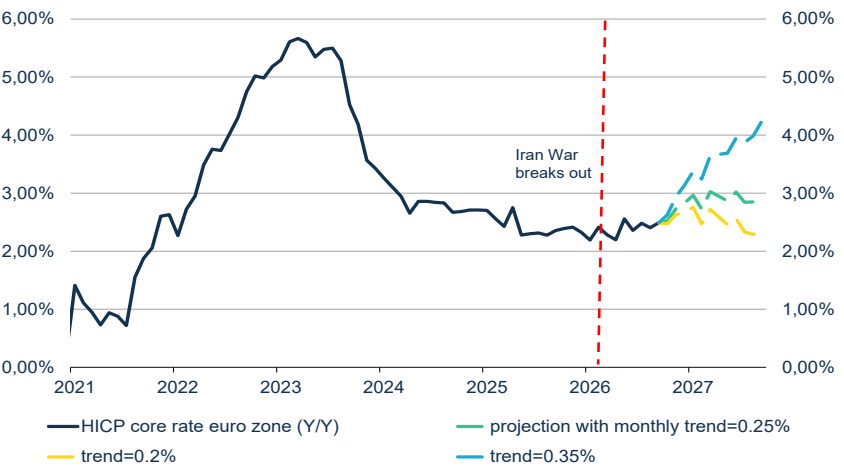
Similarly, the linker market has largely ignored the unexpectedly sharp rise in headline inflation for the eurozone to 3.8% in September. We suspect that market participants have shifted their focus more toward the core rate. Underlying inflationary pressure did increase as well, but the rise has been minimal, leading to 2.5%.

Second-round effects may eventually tip the scales

Going by the linkers' calm reaction to the accelerated rise in consumer prices, we conclude that a surge in inflation this fall had already been largely priced into the BEI. In our view, an initial peak in headline inflation at around or just above 4% in the fourth quarter currently appears to be the most likely scenario. In our view, the key factor determining the (relative) performance of inflation-protected securities in the coming months will likely be how persistent this markedly elevated inflation level in the eurozone proves to be. Two main factors come into play there: First, there is the evolution of the Middle East conflict following the U.S. midterm elections in November. Second, the widely feared but so far largely absent second-round effects are set to play a key role. The latter will be reflected in the core rate. Our baseline scenario currently calls for a moderate upward trend in underlying inflation between the yellow and green lines shown in the chart below. In our view, a jump in the core rate above the 3% mark this winter would constitute a warning sign that might give fresh impetus to investor demand for inflation hedges.

Core rate: An upward drift or a noticeable acceleration ahead?

EMU core inflation (Y/Y) and projections based on different monthly trend rates



Source: Bloomberg, LBBW Research

If, by contrast, the core rate remains on a modest path, we believe the scope for a richening in valuations on the Linker market is likely to be quite limited over the coming months. We can read this from valuation levels that are currently moderately elevated compared to the situation directly preceding the Iran War. BEI curves have remained above core inflation for short maturities and moderately below it for medium-term maturities and beyond. The scenario of persistently and significantly elevated inflation rates has thus been partially baked into Linkers' valuation. A possible easing of tensions in the Middle East following the U.S. elec-

Still closely
linked
to the price of oil

When is inflation
going to peak?

Core inflation
might drift higher

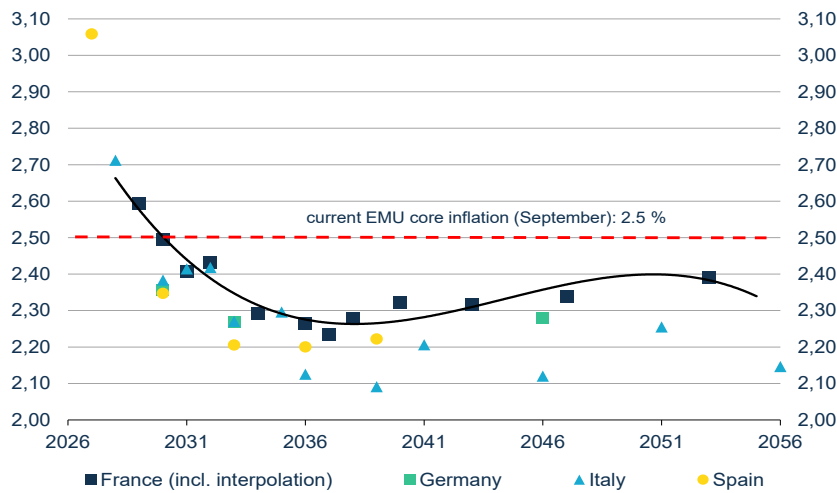
Valuation
moderately
elevated

tion thus carries the risk of relative weakness for Linkers, while a noticeable increase in second-round effects on inflation would lead to a rise in inflation risk premiums.

We reaffirm our assessment that, over the medium term, the opportunities and risks associated with inflation-protected government securities are roughly “balanced.” As a hedge against the adverse scenario of a prolonged period of high inflation, Linkers remain attractive, as the peak valuations seen in 2022–23 are still a long way off.

BEI Curves for the Eurozone: Inversion has remained marked

Break-even inflation curve for linkers pegged to the EMU HICP



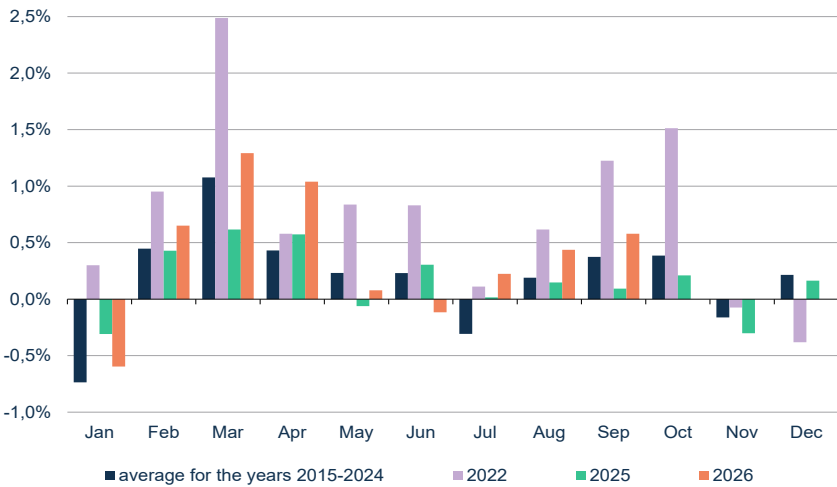
Source: Bloomberg, LBBW Research

Carry: Tailwinds are picking up in November

In the short term, the carry is proving to be a supportive factor for Linker's performance. The Carry moved into positive territory at the start of the fourth quarter. The coming month even promises to bring a further boost: According to preliminary data, the HICP for the euro area rose by nearly 0.6% month-over-month in the reference month of September 2026, following a rise of +0.4% in August. This implies a positive carry of nearly half a percentage point for November.

Significant seasonal fluctuations in the HICP

Seasonal patterns of the EMU HICP excluding tobacco (M/M)



Source: Bloomberg, LBBW Research

Since, as things stand, upward pressure on prices from the energy sector is likely to persist in October as well, the period of positive carry is expected to continue into the final month of the year. Furthermore, the usual

Opportunity/Risk
balanced in the
medium term

BEI Curves:
Above
core inflation
up to three years

Change in the
EMU HICP in the
Sep.: +0.6% M/M

Carry
to remain positive
in November

seasonal pattern suggests that the current favorable carry period will not come to an end until the start of the new year.

Primary market overview

Below is an overview of currently outstanding inflation-indexed EUR government bonds. To date, the primary market for EUR-Linkers has seen a total of three new issuances this year – two from Italy and one from France. For the rest of the year, we expect exclusively taps to existing Linkers.

Overview of linker issues outstanding

Currently outstanding inflation-indexed government bonds from France, Germany, Italy, and Spain

Issuer	ISIN	Coupon	Clean Price	Maturity	Duration	Cpn Freq	Amount outstanding in EUR bn.	real yield	Break-Even Inflation	Index-Ratio	Inflation index
France	FR0011008705	1,85	102,13	25.07.2027	0,38	1	24.562.000.000	-0,91	4,20	1,4143	EMU HICP ex. tobacco
France	FR0013238268	0,10	97,66	01.03.2028	0,68	1	17.412.000.000	1,86	1,43	1,2344	French CPI ex. tobacco
France	FR0013410552	0,10	97,66	01.03.2029	1,18	1	24.041.000.000	1,11	2,59	1,2734	EMU HICP ex. tobacco
France	FR0000186413	3,40	104,11	25.07.2029	1,33	1	10.176.144.000	1,86	1,85	1,5465	French CPI ex. tobacco
France	FR0011982776	0,70	97,51	25.07.2030	1,86	1	17.232.000.000	1,38	2,50	1,3267	EMU HICP ex. tobacco
France	FR0014001N38	0,10	92,92	25.07.2031	2,38	1	13.837.000.000	1,66	2,41	1,2628	EMU HICP ex. tobacco
France	FR0014003N51	0,10	86,42	01.03.2032	2,67	1	10.064.000.000	2,43	1,72	1,1864	French CPI ex. tobacco
France	FR0000188799	3,15	107,02	25.07.2032	2,67	1	16.285.000.000	1,85	2,43	1,6357	EMU HICP ex. tobacco
France	FR001400J88	0,60	88,53	25.07.2034	3,79	1	12.848.000.000	2,23	2,29	1,1474	EMU HICP ex. tobacco
France	FR0013524014	0,10	78,26	01.03.2036	4,66	1	12.717.000.000	2,77	1,96	1,1830	French CPI ex. tobacco
France	FR0013327481	0,10	79,72	25.07.2036	4,86	1	16.213.000.000	2,46	2,26	1,3013	EMU HICP ex. tobacco
France	FR001401804	2,10	95,70	01.03.2037	4,63	1	2.500.000.000	2,58	2,23	1,0284	EMU HICP ex. tobacco
France	FR001400AQH0	0,10	74,84	25.07.2038	5,84	1	9.667.000.000	2,63	2,28	1,2399	EMU HICP ex. tobacco
France	FR001400KW5	0,55	75,89	01.03.2039	5,93	1	6.797.000.000	2,90	2,02	1,0888	French CPI ex. tobacco
France	FR0010447367	1,80	89,44	25.07.2040	6,08	1	18.068.000.000	2,73	2,32	1,5152	EMU HICP ex. tobacco
France	FR001400QCA1	0,95	75,18	25.07.2043	7,65	1	8.530.000.000	2,83	2,32	1,0794	EMU HICP ex. tobacco
France	FR0013209871	0,10	56,98	25.07.2047	10,23	1	13.930.000.000	2,88	2,34	1,3204	EMU HICP ex. tobacco
France	FR0014006181	0,10	49,62	25.07.2053	13,10	1	11.861.000.000	2,80	2,39	1,2399	EMU HICP ex. tobacco
Germany	DE0001030559	0,50	98,98	15.04.2030	1,73	1	22.150.000.000	0,80	2,35	1,3368	EMU HICP ex. tobacco
Germany	DE0001030583	0,10	94,29	15.04.2033	3,23	1	10.650.000.000	1,01	2,27	1,2688	EMU HICP ex. tobacco
Germany	DE0001030575	0,10	77,04	15.04.2046	9,63	1	14.250.000.000	1,46	2,28	1,3433	EMU HICP ex. tobacco

Most recent new issue:
OAT€i 03/37

Issuer	ISIN	Coupon	Clean Price	Maturity	Duration	Cpn Freq	Amount outstanding in EUR bn.	real yield	Break-Even Inflation	Index-Ratio	Inflation index
Italy	IT0005388175	0,65	101,30	28.10.2027	0,50	2	6.750.000.000	-0,61	3,71	1,0258	Ita. CPI ex. tobacco
Italy	IT0005532723	2,00	102,15	14.03.2028	0,69	2	9.916.862.000	0,46	2,80	1,0050	Ita. CPI ex. tobacco
Italy	IT0005246134	1,30	100,92	15.05.2028	0,78	2	15.872.531.000	0,71	2,71	1,3212	EMU HICP ex. tobacco
Italy	IT0005517195	1,60	101,68	22.11.2028	1,00	2	11.994.517.000	0,79	2,65	1,0211	Ita. CPI ex. tobacco
Italy	IT0005543803	1,50	100,96	15.05.2029	1,26	2	18.074.787.000	1,13	2,47	1,0975	EMU HICP ex. tobacco
Italy	IT0005387052	0,40	96,91	15.05.2030	1,77	2	15.808.270.000	1,29	2,38	1,2804	EMU HICP ex. tobacco
Italy	IT0005497000	1,60	101,32	28.06.2030	1,77	2	9.440.001.000	1,24	2,51	1,0102	Ita. CPI ex. tobacco
Italy	IT0005713547	1,60	100,33	23.06.2031	2,22	2	8.842.593.000	1,53	2,38	1,0119	Ita. CPI ex. tobacco
Italy	IT0005657348	1,10	98,22	15.08.2031	2,35	2	13.825.000.000	1,49	2,41	1,0351	EMU HICP ex. tobacco
Italy	IT0005648255	1,85	101,79	04.06.2032	2,62	2	8.790.678.000	1,52	2,52	1,0182	Ita. CPI ex. tobacco
Italy	IT0005138828	1,25	98,27	15.09.2032	2,85	2	15.756.414.000	1,56	2,42	1,3216	EMU HICP ex. tobacco
Italy	IT0005482994	0,10	89,26	15.05.2033	3,27	2	19.742.788.000	1,85	2,27	1,2298	EMU HICP ex. tobacco
Italy	IT0003745541	2,35	102,84	15.09.2035	4,04	2	13.077.000.000	2,01	2,30	1,5816	EMU HICP ex. tobacco
Italy	IT0005588881	1,80	95,96	15.05.2036	4,37	2	15.787.500.000	2,28	2,13	1,0703	EMU HICP ex. tobacco
Italy	IT0005547812	2,40	98,57	15.05.2039	5,40	2	13.400.000.000	2,55	2,09	1,0917	EMU HICP ex. tobacco
Italy	IT0004545890	2,55	101,02	15.09.2041	6,24	2	15.837.435.000	2,48	2,21	1,4374	EMU HICP ex. tobacco
Italy	IT0005706293	2,25	92,12	15.02.2046	7,76	2	4.650.000.000	2,80	2,12	1,0293	EMU HICP ex. tobacco
Italy	IT0005436701	0,15	54,69	15.05.2051	11,94	2	6.803.220.000	2,70	2,26	1,2686	EMU HICP ex. tobacco
Italy	IT0005647273	2,55	93,51	15.05.2056	10,18	2	4.150.000.000	2,90	2,15	1,0510	EMU HICP ex. tobacco
Spain	ES0000012852	0,65	100,70	30.11.2027	0,55	1	17.486.578.000	0,02	3,06	1,3186	EMU HICP ex. tobacco
Spain	ES00000127C8	1,00	99,71	30.11.2030	2,01	1	20.339.365.000	1,07	2,35	1,3212	EMU HICP ex. tobacco
Spain	ES0000012C12	0,70	94,68	30.11.2033	3,46	1	21.962.479.000	1,49	2,21	1,2992	EMU HICP ex. tobacco
Spain	ES0000012C18	1,15	93,94	30.11.2036	4,74	1	10.611.639.000	1,81	2,20	1,0686	EMU HICP ex. tobacco
Spain	ES0000012M69	2,05	100,99	30.11.2039	5,72	1	10.002.268.000	1,96	2,22	1,1145	EMU HICP ex. tobacco

Source: Bloomberg, LBBW Research

03 |

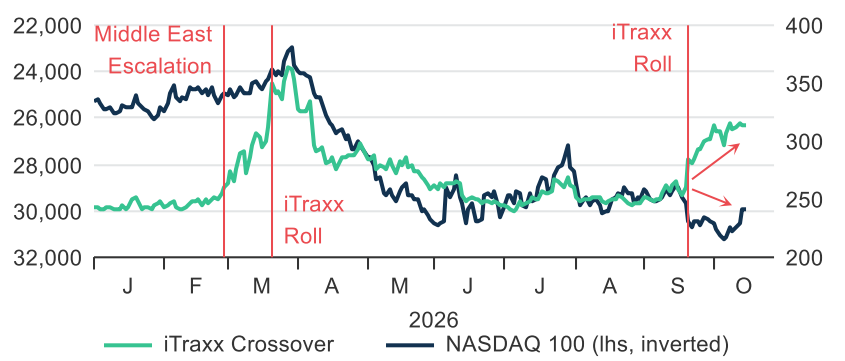
Credit Strategy

France also charges for credits

Risk premiums are rising in the eurozone

Uncertainty in the eurozone has risen significantly of late. Whilst the stock markets held their ground at high levels, risk premiums on euro-denominated credit have risen noticeably in recent weeks. In the case of the iTraxx Crossover, however, this was partly due to the sharp rise triggered by the 'Roll' in September (see the article on page 18). Despite the recent rise, the level remains below that seen during major disruptions in recent years – such as in the wake of 'Liberation Day' or the escalation in the Persian Gulf.

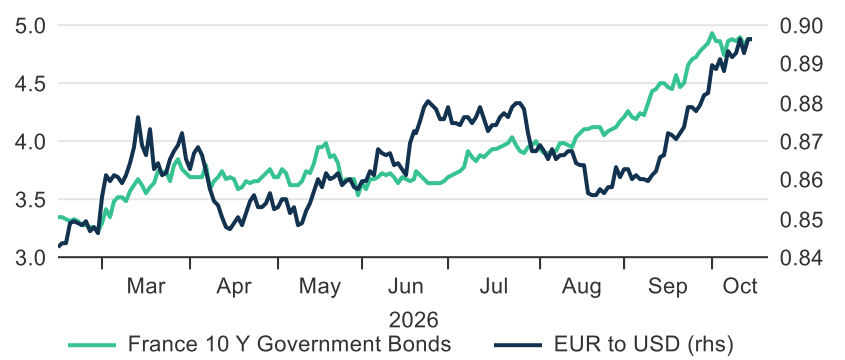
NASDAQ and iTraxx have decoupled
iTraxx Crossover versus NASDAQ (inverted)



Source: LSEG, LBBW Research

What is striking about this new wave of uncertainty is its connection to Europe. Consequently, the rise in spreads for European corporate bonds was more pronounced than that for US corporate bonds. French government bonds have recently been a key driver of this trend: Combined with France's high and rising public debt, the higher yields have sparked fears of a new Euro crisis and have weighed on the euro exchange rate since the beginning of September.

Euro falls due to France
Yield on 10-year French government bonds versus EUR/USD



Source: LSEG, LBBW Research

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iTraxx has risen significantly

Europe is suffering because of France

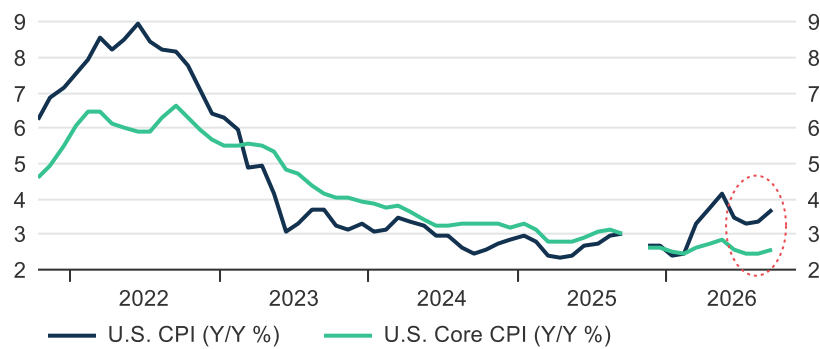
Weakness in the euro amid rising OAT yields

US consumers are feeling the effects of foreign policy

The US economy has repeatedly proved to be surprisingly resilient in recent times. However, consumers are finding it increasingly difficult to cope with rising prices. In September, US inflation rose by a surprisingly sharp margin to 3.7% year-on-year. Core inflation, too, came in at 2.6% year-on-year, exceeding expectations. Although expectations of an interest rate rise spiked briefly as a result, futures are currently pricing in an interest rate rise in October at just under 30%. We, too, do not expect the Fed to raise key interest rates again until December.

Inflation rises by a surprisingly large margin in the US

US inflation versus core inflation (in %)

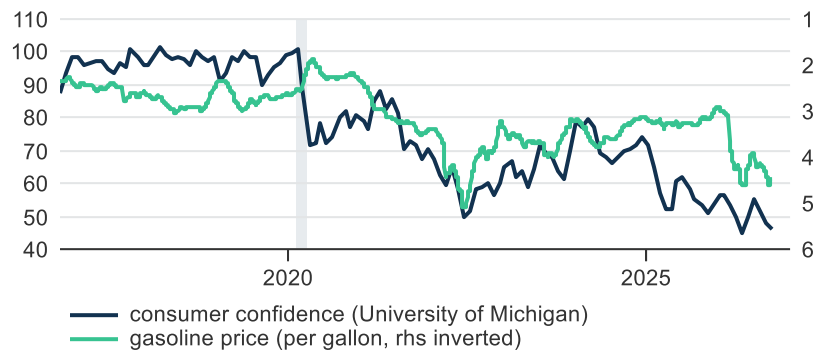


Source: LSEG, LBBW Research

The uncertainty felt by US consumers is reflected in the University of Michigan Consumer Sentiment Index. At 46.3 points in October, this figure was lower than the previous month's figure and also below expectations. Traditionally, the index has a strong negative correlation with petrol prices, which in turn form part of the inflation calculation. So, if Trump wants to win back consumer support ahead of the mid-term elections, petrol prices will have to fall quickly.

Fuel prices are causing concern amongst US consumers

US consumer confidence (University of Michigan) versus petrol prices (inverted)



Source: LSEG, LBBW Research

CONCLUSION – Uncertainty is on the rise again

Concerns about France have recently weighed on the Euro and have also played a major part in widening corporate bond spreads. However, when viewed in a historical context, risk premiums remain at a low level. For investment-grade companies in particular, the resulting financial burden remains within reasonable limits.

US inflation: September 3,7%

Core inflation is also rising

Oil prices are putting a strain on consumers

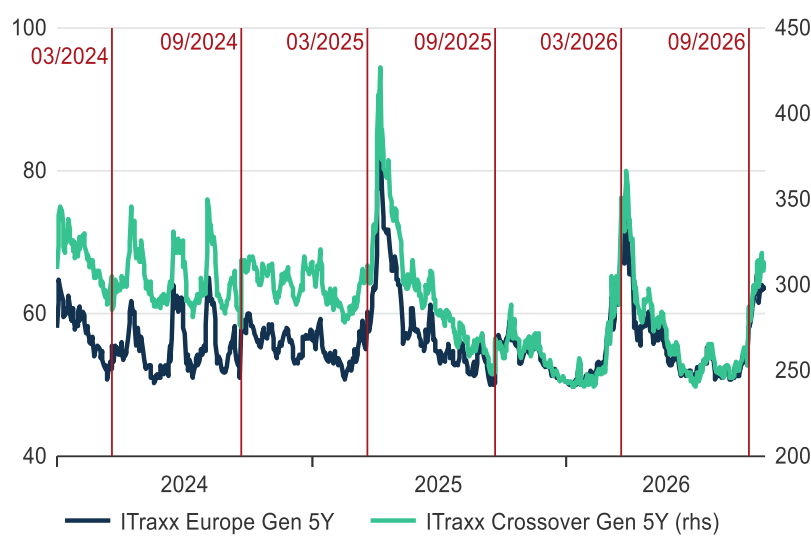
Michigan Index falls, again

Rise in spreads remains manageable, thus far

Index rebalancing fuelled the rise in corporate CDS premiums

As bond yields have risen sharply worldwide, risk premiums for companies have also increased. CDS premiums, which can be regarded as the cost of credit default insurance, have risen particularly sharply since the end of August 2026: The CDS index for investment-grade companies (iTraxx Europe) rose from 51 to 63 basis points. The iTraxx Crossover CDS index for European companies with lower credit ratings (i.e. those without investment-grade ratings) jumped from 246 to 309 basis points. It should be borne in mind that a large part of the increase was caused by the half-yearly index adjustment on 21 September 2026 – as was also the case with the previous adjustment on 20 March.

iTraxx indices (generic)
Risk premiums in basis points



Source: LSEG, LBBW Research

As usual, the index rebalancing involved a change in the index constituents and an adjustment to the maturities. The remaining maturity of the 5Y CDSs (credit default swaps) included in the indices has been increased from 4.5 years back to their original maturity of 5 years.

In the case of the iTraxx Crossover, these effects of the index adjustment led to an increase of approximately 38 basis points compared with the previous series. The new Series 46 started at 284 basis points. On the iTraxx Europe, the generic index stood at 58 basis points on the launch day of the new series, which was 6 basis points above the previous series.

Conclusion

The previous index adjustment on 20 March 2026 had significantly exacerbated the sharp rise in risk premiums in the wake of the war with Iran.

On the most recent adjustment date, 21 September, the CDS premiums in the old series would, in fact, have fallen. It was solely due to the replacement of index constituents and the extended maturity that the generic CDS indices were trading significantly higher than the previous day's level. Following this, the trend of rising risk premiums continued in the new series as well.

Changes
in March and
in September

Usually a jump
at the roll date

Index maturity
increased from
4.5 to 5 years

Rebalancing
may reinforce
the trend

04 |

Calendar/Analytics

Developed Markets Overview

2 Years				10 Years		
Euro Area	Yields	Spread	Change*	Yields	Spread	Change*
Bund	3,11			3,41		
Jumbo	3,41	30	1	3,86	45	-1
Swap	3,38	26	-1	3,50	9	0
Netherlands	3,10	-1	0	3,51	10	0
Austria	3,24	13	0	3,68	26	-1
France	3,57	46	-4	4,80	138	1
Belgium	3,28	16	-2	4,27	85	1
Italy	3,45	34	2	4,48	107	-2
Spain	3,22	11	-2	4,03	61	0
Ireland	n.a.	n.a.	n.a.	3,54	13	0
Portugal	3,19	8	-4	3,88	47	-2
Greece	n.a.	n.a.	n.a.	4,33	92	-2
EX. EURO AREA	Yields	Spread	Change*	Yields	Spread	Change*
USA	4,74	163	-3	5,09	167	-8
Canada	3,20	9	3	3,83	41	2
Japan	1,92	-119	1	2,94	-48	-1
UK	4,89	177	1	5,37	196	0
Switzerland	0,25	-287	-1	0,54	-287	4

* 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
20.10.2026	Japan	JGB	20Y		JPY 800 bn.	
20.10.2026	Germany	Green Bund	3Y, 27Y		€ 1 bn.	Tap
20.10.2026	Finland	RFGB			€ 1.5 bn.	Tap
20.10.2026	UK	UKT	10Y		GBP 4.25 bn.	Tap
21.10.2026	USA	T-Bond	08/26	5.125%	USD 13 bn.	Tap
22.10.2026	UK	UKTI	5Y		GBP 1.7 bn.	Tap
22.10.2026	USA	TIPS	10/31		USD 28 bn.	New

CW 43: Italy to place new tranches of its retail bond BTP Valore

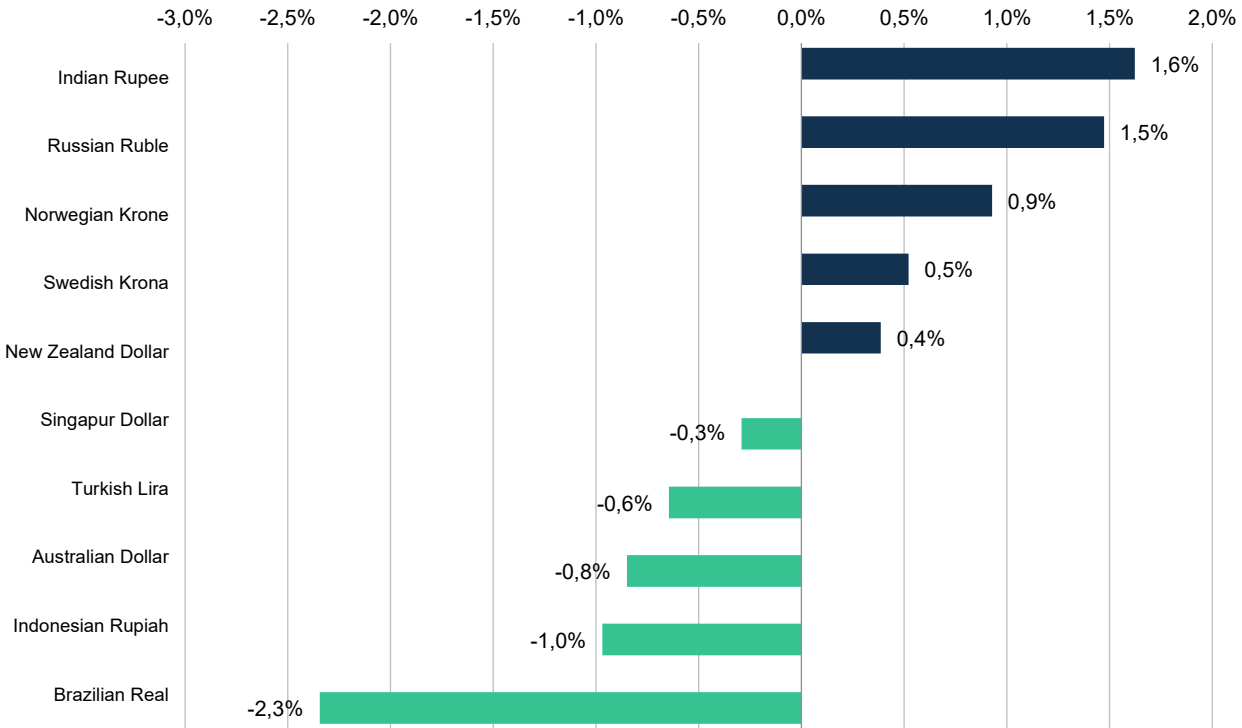
Sources: Bloomberg, LBBW Research

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%	3,8%	↑			
United States	28.10.26	4,00%	16.09.26	3,75%	3,7%	↗	4,7%	1,1226	1,1313
United Kingdom	05.11.26	3,75%	18.12.25	4,00%	3,1%	•	3,2%	0,8443	0,8506
Japan	30.10.26	1,25%	18.09.26	1,00%	1,9%	↗	5,8%	177,21	175,95
China	***	2,00%	25.09.24	2,30%	0,9%	•	7,0%	7,51	7,46
Switzerland	10.12.26	0,00%	19.06.25	0,25%	1,0%	↑	-0,5%	0,9283	0,9151
Argentina	***	29,00%	31.01.25	32,00%	32,9%	↘	-5,6%	1.698,11	1.913,46
Australia	03.11.26	4,60%	29.09.26	4,35%	3,2%	↗	1,7%	1,62	1,63
Brazil	04.11.26	13,75%	16.09.26	14,00%	4,6%	•	3,0%	5,72	5,96
Canada	28.10.26	2,25%	29.10.25	2,50%	3,0%	↑	1,4%	1,59	1,59
Czech Republic	05.11.26	3,75%	18.06.26	3,50%	2,5%	↗	-0,1%	24,35	24,45
Denmark	***	2,25%	11.09.26	2,00%	2,2%	↑	0,0%	7,48	7,46
Hong Kong	***	4,25%	08.11.24	4,00%	1,7%	•	4,6%	8,81	8,83
Hungary	20.10.26	5,50%	25.08.26	5,75%	1,6%	•	0,3%	363,85	368,38
India	04.12.26	5,50%	06.02.25	5,25%	5,5%	↑	3,0%	106,63	110,23
Indonesia	21.10.26	5,75%	18.06.26	5,50%	3,3%	•	-0,2%	20.243,36	20.637,71
Mexico	05.11.26	6,50%	07.05.26	6,75%	3,5%	↓	-1,7%	20,68	21,09
New Zealand	28.10.26	2,75%	02.09.26	2,50%	4,1%	↑	0,6%	1,99	1,99
Norway	05.11.26	4,50%	24.09.26	4,25%	3,4%	•	4,0%	10,62	10,72
Poland	04.11.26	3,75%	04.03.26	4,00%	4,1%	↗	-3,0%	4,37	4,40
Romania	12.11.26	6,50%	07.08.24	6,75%	6,6%	↓	-4,5%	5,34	5,42
Russia	23.10.26	14,00%	24.07.26	14,25%	6,4%	•	-4,3%	94,01	100,21
Singapore	***	1,95%	n.a.	1,89%	2,3%	↑	4,2%	1,44	1,43
South Africa	19.11.26	7,25%	23.09.26	7,00%	4,4%	↑	4,6%	18,49	18,86
South Korea	22.10.26	3,00%	27.08.26	2,75%	2,9%	↗	16,2%	1.500,11	1.504,38
Sweden	04.11.26	1,75%	23.09.25	2,00%	1,1%	↗	-3,0%	11,15	11,12
Turkey	22.10.26	37,00%	22.01.26	38,00%	29,7%	↘	-5,0%	55,64	65,00

Sources: Bloomberg, LBBW Research

The Strongest Currency Appreciations and Depreciations Against the Euro This Week

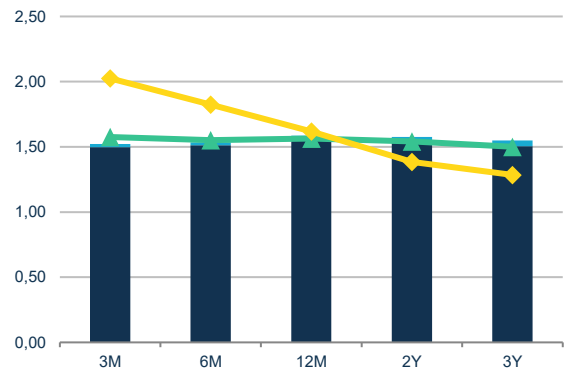


Sources: Bloomberg, LBBW, Research

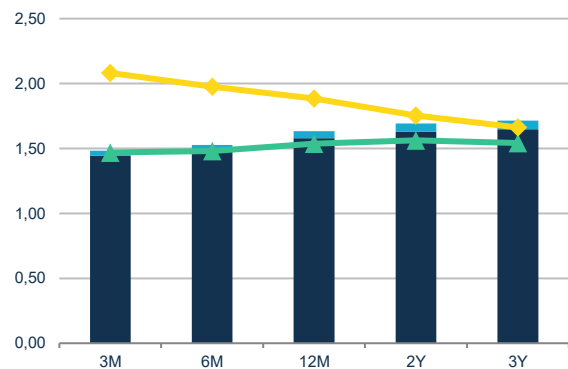
Interest rate differential and FX insurance costs vs. the Euro for selected currencies

interest rate differential, basis swap rates and insurance costs

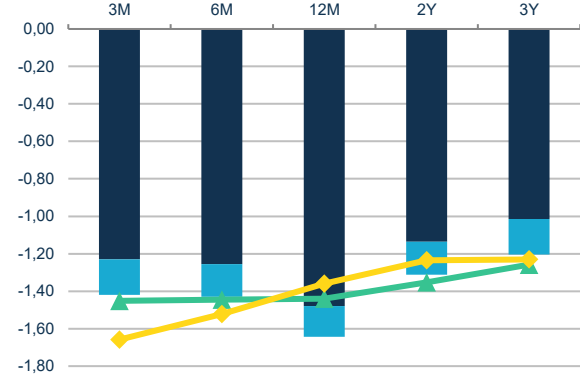
US dollar



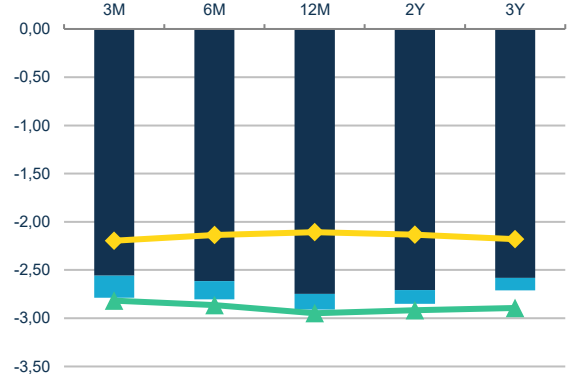
British pound



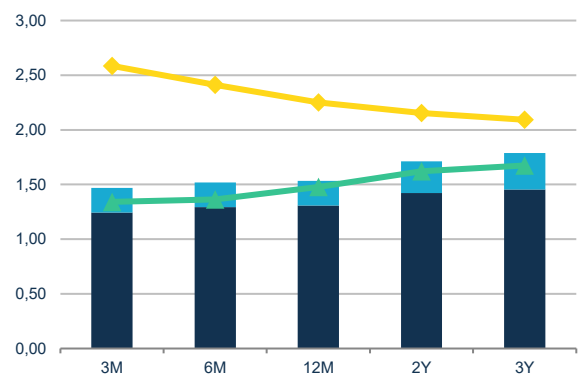
Japanese yen



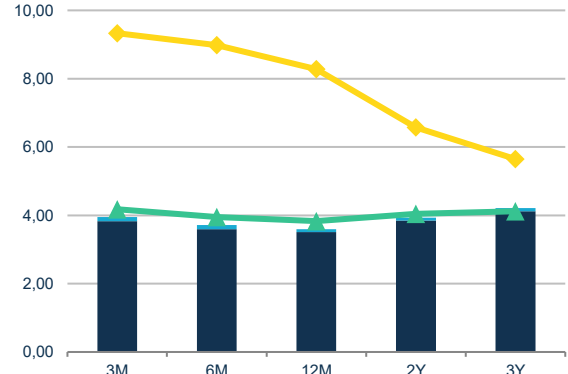
Swiss franc



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	64	1	10	12	6	7
HY & NR Corporates	317	7	58	66	31	43
Senior Financials	72	1	16	17	9	3
Sub Financials	120	3	30	32	17	14

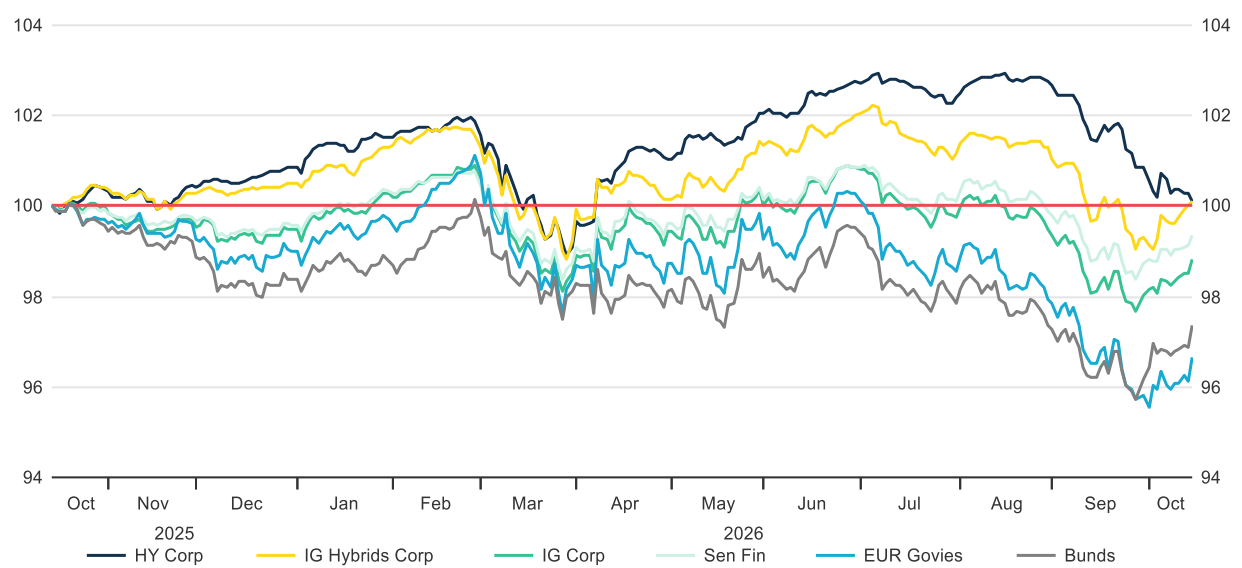
EUR Indices	Current	1W	1M	Changes 3M	6M	1Y
Non-Financials	80	-1	4	7	5	1
Banks Senior Preferred	63	0	10	12	7	5
Banks Senior Bail-in	79	1	6	9	6	6
Banks Subordinated	119	1	12	17	8	3

*time lag of one day, Asset Swap Spreads

16.10.2026

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	
		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

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