LBBW

Bonds Weekly

CW 44/2026 | LBBW Research | Strategy/Macro

Bond market rebound stalls ahead of U.S. midterm elections

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CREATED ON: 2026-10-30 11:28

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01 | Our View

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Bond Market Movers – Review and Outlook

What drove the bond markets last week?

- U.S. President Trump has announced that a decision on how to proceed with Iran will be made soon. There is a risk of military escalation. Iran is threatening that, if this happens, it will target U.S. allies in the region more aggressively than before.
- France can breathe a little sigh of relief. The latest wave of protests has seen less escalation of violence than the previous one. The rating agency Moody's® has also decided not to downgrade the rating for the time being.
- The ECB, the Fed, and the BoJ have all left their key interest rates unchanged. Meanwhile, central bankers did not dispute the widespread expectation that they will tighten monetary policy, again, before the end of the year.
- Growth in the U.S. economy accelerated in the third quarter, even though foreign trade had a significant dampening effect.
- The ifo Business Climate Index for Germany posted its sixth consecutive increase in October as expectations improved.
- At the most recent auction of 10-year German government bonds, investor demand was, once again, insufficient to fully cover the planned issuance volume.

What could drive the market next week?

- The financial markets remain in the grip of news from the Middle East, commodity prices, and political developments in France. New waves of protests have been announced across Europe for the upcoming weekend, including in major German cities.
- In the U.S., citizens are being called to the polls for midterm elections for both chambers of Congress. Polls suggest that the Democratic opposition is about to win a majority in the House of Representatives, at the very least, and presumably in the Senate as well. In California, there is also a vote on a billionaire tax.
- The Bank of England is set to raise its key interest rate for the first time since August 2023.
- According to our forecast, inflation in the euro area will reach the 4% mark in October for the first time since September 2023. We expect core inflation to remain stable at 2.5%.
- In the U.S., the October jobs report will be the week's key macroeconomic event. We expect sluggish employment growth and a stable unemployment rate.
- The primary market for U.S. Treasuries is set to be quiet next week. The focus will be on the U.S. Treasury's quarterly refunding statement. Meanwhile, activity in the primary market for EUR government bonds will likely remain stable compared with last week. We expect the gross supply to total approximately 25 billion euros. The focus will be on the next auction of long-term French government bonds. Net cash flows are set to surge well into positive territory, given well above-average reflows from maturities.

Bond market rebound stalls ahead of U.S. midterm elections

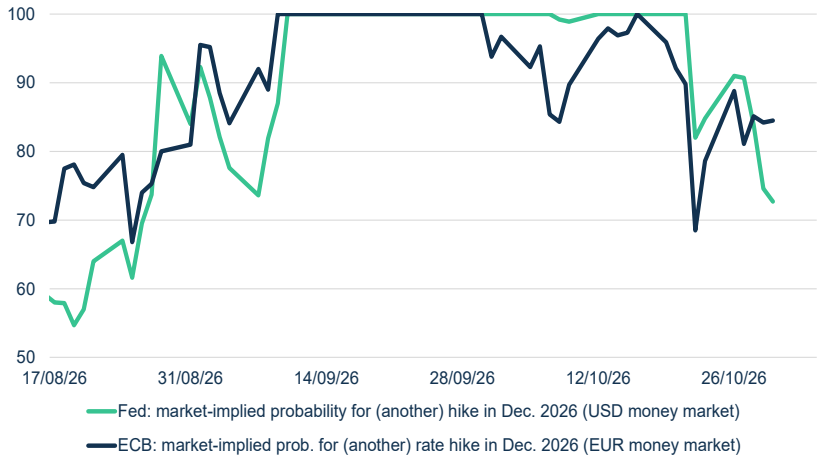
Central banks offer no surprises

Central bankers from the eurozone, the U.S., and Japan have all kept a low profile this week. Consequently, the synchronized interest rate hikes a month ago have now been followed by an equally uniform pause. In our view, however, the latter should not be equated with an end to monetary tightening campaigns. The presumed growth-dampening effect of this summer's rapid rise in long-term bond yields has indeed given central bankers some leeway to avoid responding immediately to the recent rise in inflation with further interest rate hikes. Especially since the widely feared second-round effects of the ongoing surge in energy prices have been only mild so far. However, this is likely to be sufficient only to justify a pause in tightening. From today's perspective, inflation rates are likely to continue to rise on both sides of the Atlantic this fall, thereby keeping the pressure on central bankers to take action high. In our view, neither the Fed, the ECB, nor the BoJ sent any signals this week that would contradict the widespread expectation in rates markets that December will bring another hike in all three currency areas. At the Fed, the monetary policy hawks have made their presence felt quite clearly, despite the decision to pause hiking: Two of the twelve members of the Open Market Committee voted in favor of an immediate further tightening of monetary policy. Based on forward rates in the U.S. money market, a 25-basis-point interest rate hike by the Fed on December 9 is still considered very likely (see the chart below).

More rate hikes have only been postponed, not canceled

Chart of the Week

Market-implied probabilities of further interest rate hikes by the ECB and the Fed in December 2026



Source: Bloomberg, LBBW Research

Market consensus: Both ECB and Fed set to tighten policy in December

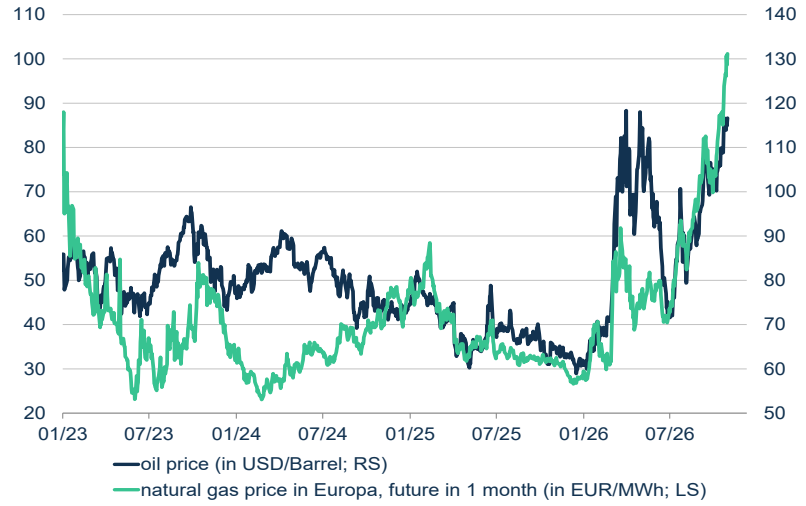
On this side of the Atlantic, ECB President Lagarde did not reveal whether the central bankers had already made up their minds regarding the December decision. However, she hinted that it would take "surprising" developments to dissuade the central bank from raising interest rates. From a European perspective, the continued upward trend in natural gas prices is particularly concerning. Market participants are increasingly preparing for potential shortages this coming winter, which has caused short-term natural gas futures prices in Europe to rise above 100 EUR/MWh for the first time since 2022 (see the chart below). There are also no signs of the situation easing on the crude oil market, given the looming threat of a possible military escalation in the Middle East following the U.S. midterm elections. Against this backdrop, we find it

Energy prices continue to put pressure to act on the ECB

difficult to imagine, from today's perspective, that the eurozone's monetary authorities will back down from their plan to raise the key interest rate in December.

Upward pressure on energy prices continues to build

Prices for Brent crude oil (in USD/barrel) and European natural gas (in EUR/MWh), near-term future contracts



Source: Bloomberg, LBBW Research

Natural gas price surpasses the 100-EUR mark

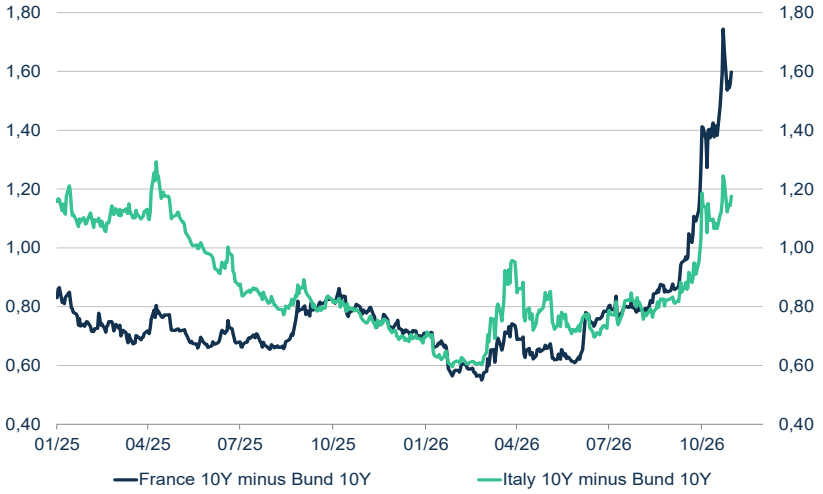
A breather in the French government bond market

We view massive global financial market turmoil stemming from the AI issue, as well as a drastic escalation of concerns about a European debt crisis, as potential catalysts for a shift in the ECB's monetary policy stance leading up to its year-end meeting. There was, in fact, nothing like an all-clear on these two potential "crisis fronts" this week, but there have been no signs of broad new escalations either. With the initial public offering of model provider Anthropic, scheduled for mid-November, the AI community has gained a new focal point that, for the time being, overshadows concerns about the sustainability of the boom.

Anthropic's IPO is thrilling the AI community

Positive rating news halts spread widening for now

Yield spreads of 10-year French and Italian government bonds over Bund



Source: Bloomberg, LBBW Research

French spread with preliminary top formation, …

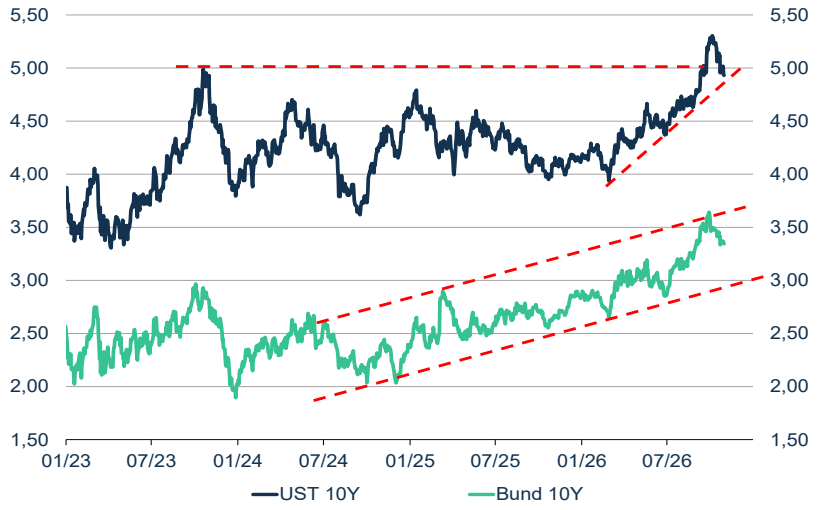
Meanwhile, on the French government bond market, the spiral of escalating risk premiums has been broken, at least for the time being. The rating agency Moody's has, surprisingly, spared France from a downgrade. Furthermore, the violent riots that have occurred in the wake of the ongoing social protests have not reached a new peak. For French

… but it's way too early to give the all-clear!

government bonds, which have been battered badly, this provides a breather. In our opinion, however, it would be very premature to speak of the beginning of a positive turnaround. The downward spiral is unlikely to be halted in a sustainable manner until France's politicians agree on a reliable plan to curb budget deficits.

Overall, the major government bond markets on both sides of the Atlantic lacked a clear direction during the “Central Bank Week.” The price support for "safe-haven" assets, which had dominated the previous two weeks, has subsided for the time being. In addition, trends in energy prices likely slowed the previous price recovery. At the same time, the lack of decidedly “hawkish” signals from central bankers has, in our view, prevented sentiment from shifting back in favor of the bond bears. The yield on 10-year U.S. Treasury bonds therefore stabilized for the time being close to the 5% mark. The medium-term upward trend in yields triggered by the war in Iran has stayed intact following a correction of bearish excesses, but a test is drawing nearer (see the chart below).

After the correction: Medium-term upward yield trend still intact
Yields on 10-Year U.S. Treasuries and 10-Year German Bunds



10-Year U.S. Treasury yield consolidates near 5%

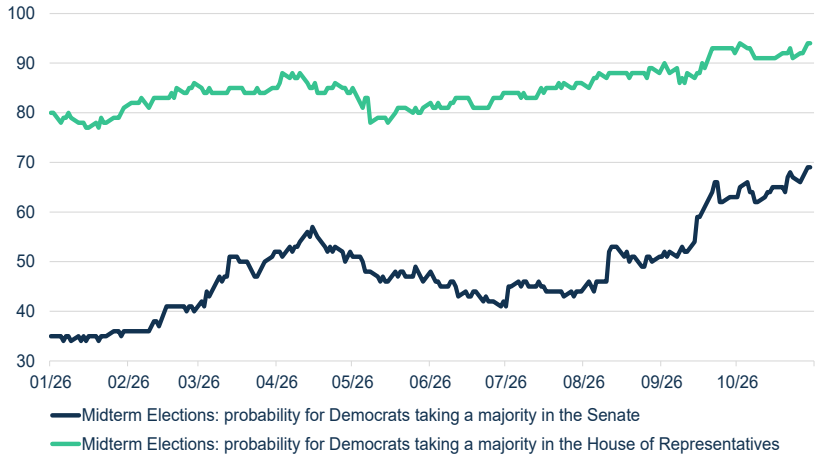
Source: Bloomberg, LBBW Research

Outlook: Will U.S. midterm elections be followed by a showdown in the Middle East?

Ultimately, we believe it is realistic to assume that uncertainty among bond market participants regarding the potential implications of the U.S. midterm elections on November 3 has led them to adopt a rather cautious stance in recent days. The political climate in the U.S., as reflected in the election polls, suggests that the opposition Democrats are poised to gain significant political influence. Nearly all observers consider it a foregone conclusion that the opposition will win at least a majority in the House of Representatives. President Trump's administration would then have to agree to cooperate with its political opponents in various areas, including budget policy – or Trump would risk a political stalemate. If the Democrats were to also win a majority in the Senate – a scenario that participants on the online betting platform Polymarket have considered likely for several weeks now (see the chart below) – their leverage to politically thwart Trump would increase even further.

Investors cautious heading into U.S. midterm elections

Betting market participants are banking on a Democratic sweep
Probabilities of a U.S. Democratic majority in the House of Representatives and the Senate, according to the betting platform Polymarket



Source: Polymarket, Bloomberg, LBBW Research

Democrats could take full control of Congress

In our view, the immediate implications for the U.S. economy or the financial markets are likely to remain quite limited in the event of a Democratic election victory. However, there is a lingering concern that the president might be tempted to block its implementation, which, in the worst-case scenario, could trigger a constitutional crisis. In addition, there is a possibility that Trump, as a distraction, will throw himself even more deeply into foreign policy adventures. A new wave of the Iran conflict, which is presumably only partially priced in by the increased "fear premiums" in the energy markets, might very well fuel inflation fears around the globe yet further. In our view, anxiety over this issue could therefore increase in the coming week, which would weigh on the bond markets in the near term.

The question is: How will Trump react to a defeat?

Bond markets set to closely watch EMU core inflation

Especially since the topic of inflation is once again taking center stage on the macroeconomic data calendar: Inflation data for the eurozone for October (Nov. 4) is set to be released. We expect headline inflation to reach the 4% mark for the first time in more than three years. If core inflation were to rise as well, this would, in our view, be a bond negative surprise, abruptly dampening the market sentiment that has recently improved. Across the Atlantic, investors will be focusing on the U.S. jobs report for October (Nov. 6) next week. Employment data has been a real "surprise package" in recent months. Positive and negative surprises alternated almost every month. Based on this pattern, another upside surprise may be expected for October. In our view, however, the underlying employment dynamics in the U.S. economy are likely to remain sluggish, regardless of temporary fluctuations.

EMU inflation set to rise to 4%

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	3,40	3,60	3,35	3,00
Swap 10Y	3,44	3,65	3,50	3,30
Bund 2Y	3,07	3,25	3,05	2,60
Bund 5Y	3,16	3,40	3,20	2,90
Bund 10Y	3,34	3,60	3,50	3,35
Swap/Bund 2Y	31	25	20	15
Swap/Bund 5Y	24	20	15	10
Swap/Bund 10Y	10	5	0	-5
Spread BBB Corporates/Bund	120	115*	120*	130*

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)	3,94	4,15	4,15	3,90
3M Money Market	4,06	4,30	4,15	3,90
Swap 2J (SOFR-OIS)	4,45	4,60	4,15	3,75
Swap 5J (SOFR-OIS)	4,45	4,60	4,25	3,95
Swap 10J (SOFR-OIS)	4,55	4,70	4,50	4,30
Treasury 2Y	4,59	4,75	4,35	3,95
Treasury 5Y	4,73	4,90	4,60	4,30
Treasury 10Y	4,93	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*	2,78	3,15	3,25	3,30
UK	*Overnight Rate (SONIA)*	3,73	3,95	4,20	3,95
UK	*10Y Government Bond*	5,29	5,30	5,20	5,00
Switzerland	*Overnight Rate (SARON)*	-0,05	-0,05	0,20	0,20
Switzerland	*10Y Government Bond*	0,51	0,60	0,60	0,50

FX	Spot	31.12.26	30.06.27	31.12.27
EURCHF	0,9202	0,93	0,94	0,95
EURCNY	7,4457	7,71	7,36	7,43
EURGBP	0,8344	0,85	0,85	0,85
EURJPY	176,27	182	178	176
EURUSD	1,1185	1,15	1,15	1,17
USDCHF	0,8227	0,81	0,82	0,81
USDCNY	6,6558	6,70	6,40	6,35
GBPUSD	1,3404	1,35	1,35	1,38
USDJPY	157,59	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*	1,2	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

- *Middle East Conflict:* U.S. President Trump announces a decision will be made soon regarding what happens with Iran – saying they will either make a deal or "finish it off" – the U.S. has recently withdrawn diplomatic and military personnel from parts of the Middle East – Iranian leaders are threatening widespread retaliation against U.S. allies in the region in the event of renewed U.S. bombings.
- *Middle East Conflict:* According to media reports, representatives of the Saudi security apparatus are stepping up contact with rival Iran in an effort to avert further escalation of the conflict – while a demonstrative show of solidarity with Turkey and Pakistan in the so-called "Mecca Pact" is reportedly intended to deter Iran at the same time.
- *Geopolitics:* U.S. President Trump has announced that he will soon hold talks with the presidents of Ukraine and Russia, Zelenskyy and Putin, on ending the war in Ukraine – it does not necessarily have to be a face-to-face meeting, according to Trump – trilateral talks at the technical level could begin as early as the end of next week in Abu Dhabi, according to Zelenskyy.
- *Geopolitics:* Germany and South Korea agree to deepen their partnership – agreement covers, among other things, defense and artificial intelligence – response to the close cooperation between Russia and North Korea – Chancellor Merz speaks of building a "strong network of partners who share important interests and common values" – Merz is also promoting closer cooperation in Japan and Singapore.
- *U.S. – Trade Policy:* According to media reports, the U.S. and Canada are negotiating a reduction in reciprocal tariffs, with steel and automobiles reportedly the main focus – U.S. side is pushing for an agreement before the midterm elections in early November – the Canadian government describes the talks as "constructive."
- *Monetary Policy – ECB:* As expected, the ECB Governing Council left its key interest rates unchanged; the deposit rate remains at 2.50% – central bankers are sticking to a data-dependent, meeting-by-meeting approach – a sharp rise in energy prices is likely to push inflation higher, but at the same time may weigh on growth – the ECB points to the dampening effect on growth and inflation caused by tighter financial conditions – ECB Governing Council discussed the appropriateness of a rate hike, according to ECB President Lagarde – ECB's "direction of travel quite clear unless surprise"
- *ECB – Lagarde's Successor:* ECB President Lagarde puts an end to speculation about her personal future and announces her early resignation as head of the central bank, effective February 7, 2027 – according to EU Council President Costa, the process of selecting a successor has now begun – an extraordinary meeting of heads of state and government scheduled for November 26–27 is intended to pave the way for a final decision in December on the appointments to ECB posts – a "package deal" involving the succession of ECB Chief Economist Lane and Board member Schnabel is considered likely – BIS Director General Hernandez de Cos is currently considered the frontrunner to succeed Lagarde. .
- *ECB – Bank Lending Survey:* Banks tightened their lending standards for corporate loans in the third quarter more than expected three months ago, with stricter terms particularly evident in Germany and France – demand for corporate loans also showed a surprising downward trend.

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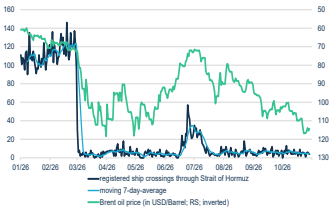
Strait of Hormuz & Oil Prices



Sources: Bloomberg, LBBW Research

Germany and South Korea are moving closer

Lagarde will step down early in February 2027

- *Monetary Policy – Fed:* As expected, the U.S. Federal Reserve left its target range for the federal funds rate unchanged at 3.75% to 4.00% – two of the twelve FOMC members voted for a 25-basis-point rate hike – Fed notes "strong" economic growth – Fed Governor Warsh reiterates the need to counter a broadening of price increases – but at the same time points out that financial conditions have tightened.
- *Fed – Reforms:* Federal Reserve Chairman Warsh announces reduction in the number of interest rate decisions per year – FOMC to make only seven policy decisions in 2027 (previously: eight decisions per year), and only six times starting in 2028 – Warsh also signals that the reform working groups will not issue any recommendations by the end of 2026.

Fed to cut the number of rate decisions

- *Monetary Policy – Japan:* As expected, the BoJ left its key rate unchanged at 1.25% – BoJ Governor Ueda reaffirmed the bank's commitment to its monetary tightening course, provided that the central bank's macroeconomic forecasts materialize.
- *Monetary Policy – Canada:* The BoC decided to raise the key interest rate from 2.25% to 2.50%, the first tightening of monetary policy since the summer of 2023 – increase was necessary to prevent higher energy costs from spilling over into the broader economy – further tightening may be necessary, but the central bank aims to take a "cautious" approach.

Canada begins monetary policy tightening

- *Germany – Economy:* The ifo Business Climate Index recorded its sixth consecutive increase in October, rising from 89.9 to 90.2 points – highest level since May 2023 – Improved business expectations drove the upward trend, while the assessment of the current situation weakened slightly – manufacturing and construction sectors are contributed to the improvement in sentiment, while the services sector showed signs of weakness.
- *Eurozone – Economy:* S&P Global's Purchasing Managers' Index for the manufacturing sector fell from 52.9 to 52.4 points in October – while the index for the services sector also declined, from 53.0 to 51.7 points.
- *Eurozone – Economy:* economic sentiment suffered its second consecutive decline in October, falling from 97.5 to 96.9 points – sentiment in the industrial sector brightened again, reaching a three-and-a-half-year high – while the service sector, by contrast, saw a slowdown.
- *France – Economy:* GDP disappoints in the third quarter with a 0.1% contraction (Q/Q) – investment and foreign trade have dragged down economic output, while private consumption and government spending have been supporting it.

French GDP contracts

- *France – Inflation:* Price pressures built further in October, as the inflation rate jumped to 3.8% (Y/Y, EU harmonized), the highest level since December 2023.
- *EU – Trade Policy:* The European Commission plans to implement safeguard measures in early 2027 to reduce imports from China – plans cover chemical products, furniture, and machinery – the measures are intended to help reduce the massive trade deficit with China.
- *U.S. – Economy:* GDP growth surprised in the third quarter at 3.4% (Q/Q, annualized), exceeding expectations, following 2.2% in the second quarter - biggest increase in a year – with personal consumption and capital expenditures once again serving as the main drivers of growth, while foreign trade weighed it down.

U.S. economy grows faster than expected

- *U.S. – Economy:* According to a Conference Board survey, consumer confidence unexpectedly improved in October, rising from 84.2 to 91.7 points – highest level since June – with both current conditions and expectations showing improvement – consumers view the labor market as positively as they last did six months ago.

- *U.S. – Labor Market:* Weekly ADP report shows a moderate slowdown in job growth for the four-week period ending October 10, with an average of 16,750 jobs added, down from 17,500 in the previous period.
- *U.S. – Inflation:* Core PCE inflation showed a modest acceleration in September, rising to 3.1% (Y/Y), up from 3.0% in August.
- *France – Rating:* Moody's® spares France from another rating downgrade for now – credit rating remains at Aa3, outlook still "negative" – Moody's cites factors hindering fiscal consolidation, including weak growth, an unexpectedly high budget deficit this year, and recent social protests – The credit rating agency nevertheless expects that a deficit-reducing budget will ultimately be adopted, by decree if necessary.
- *France – Cost-of-Living Crisis:* The wave of social protests continued last weekend, though the scale of riots and looting was significantly smaller than the previous weekend – the government intends to address the protesters' concerns and has announced, for example, that it will bring forward the next minimum wage increase.
- *Brazil – Presidential Election:* Incumbent Social Democrat Lula emerges as the surprise winner of the presidential runoff election – after a highly polarizing campaign and a last-minute surge in the days leading up to the election, Lula secures just under 52% of the vote – the losing candidate, Bolsonaro, initially announced he would challenge the election results due to some irregularities, but later backtracked and fled the country – disappointment among pro-business circles sent the Brazilian currency and stock market into a tailspin.
- *Israel – Parliamentary Election:* A stalemate between Prime Minister Netanyahu's right-wing nationalist camp and challenger Eisenkot's centrist camp points to an extremely complicated process of forming a government – both camps fall well short of an absolute majority of parliamentary seats, though Netanyahu's camp performed better than expected – Arab parties could become kingmakers – According to observers, another election within a few months is also a realistic possibility.
- *AI:* Leading U.S. AI developer Anthropic files for an initial public offering – the marketing phase is set to begin the week of November 9, with November 19 tentatively slated as the date for the initial listing on the NASDAQ – observers expect Anthropic to aim for a market valuation that at least matches the previous record-breaking IPO by SpaceX.

Moody's® keeps France's rating stable

Lula wins election in Brazil

Anthropic to go public soon

Next Week's Data

TIME	COUNTRY		PERIOD	LBBW FORECAST	CONSENSUS FORECAST[1)]	LAST VALUE[2)]	IMPORTANCE
FRIDAY, 30.10.2026							
11:00	EMU	GDP (Q/Q) (1st estimate)	Q3	0,3	0,2	0,6	***
11:00	EMU	Unemployment Rate (sa)	Sep	6,4	6,4	6,4	**
13:30	USA	Employment Cost Index (Q/Q, sa)	Q3	0,8	0,8	0,9	*
14:00	GE	CPI (Y/Y) (prelim.)	Oct	3,3	3,0	3,3	***
14:45	USA	Chicago Purchasing Manager Index	Oct	-	56,0	58,8	*
SATURDAY, 31.10.2026							
	EU	New round of mass protests expected across Europe, including Germany					**
MONDAY, 02.11.2026							
02:45	CHN	RatingDog PMI Manufacturing	Oct	52,2	52,0	52,1	***
08:00	GE	Retail Sales (M/M, sa)	Sep	-1,0	0,8	1,3	*
09:30	CH	PMI Manufacturing	Oct	-	55,7	55,3	*
09:55	GE	PMI Manufacturing (final)	Oct	54,2	-	54,2	*
10:00	EMU	PMI Manufacturing (final)	Oct	52,4	-	52,4	*
16:00	USA	Construction Spending (M/M)	Sep	-	0,5	0,9	*
16:00	USA	ISM Manufacturing	Oct	55,0	54,7	54,5	***
TUESDAY, 03.11.2026							
08:30	CH	CPI (Y/Y)	Oct	-	1,3	1,0	*
16:00	USA	Factory Orders (M/M)	Sep	1,2	1,1	0,1	*
	USA	US Midterm Elections for Congress					***
	USA	Californians vote on "Billionaires Tax"					**
WEDNESDAY, 04.11.2026							
09:55	GE	PMI Services (final)	Oct	51,7	-	51,7	*
09:55	GE	PMI Composite (final)	Oct	52,8	-	52,8	*
10:00	EMU	PMI Services (final)	Oct	51,7	-	51,7	*
10:00	EMU	PMI Composite (final)	Oct	51,9	-	51,9	*
11:00	EMU	HICP, flash estimate (Y/Y) (prelim.)	Oct	4,0	3,9	3,8	***
11:00	EMU	HICP Core, flash estimate (Y/Y) (prelim.)	Oct	2,5	-	2,5	***
14:15	USA	ADP Employment Change (thous)	Oct	65	70	90	**
14:30	USA	Trade Balance (bn USD)	Sep	-108,0	-107,9	-105,6	**
16:00	USA	ISM Services Index	Oct	54,0	54,7	54,9	***
THURSDAY, 05.11.2026							
08:00	GE	Factory Orders (M/M)	Sep	5,5	-	-10,6	**
09:00	CH	Unemployment Rate (sa)	Oct	-	3,1	3,1	*
11:00	EMU	PPI (Y/Y)	Sep	9,0	-	8,2	*
13:00	UK	BoE Interest Rate Decision		4,00	4,00	3,75	**
14:30	USA	Nonfarm Productivity (prelim.)	Q3	-	3,0	1,4	*
14:30	USA	Unit Labor Cost (prelim.)	Q3	-	1,5	1,2	*
FRIDAY, 06.11.2026							
08:00	GE	Industrial Production (M/M)	Sep	0,5	-	2,0	**
10:30	USA	FOMC Vice Chairman Williams speaks					***
11:00	EMU	Retail Sales (M/M)	Sep	0,0	-	0,1	*
14:30	USA	Change in Nonfarm Payrolls (thous.)	Oct	50	55	29	***
14:30	USA	Unemployment Rate (sa)	Oct	4,2	4,2	4,2	***
14:30	USA	Average Hourly Earnings (M/M)	Oct	0,3	0,3	0,1	***
16:00	USA	Uni Michigan Consumer Confidence (prelim.)	Nov	49,5	47,3	48,0	***
	GRC	Rating Review Greece (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

02 | Rates

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EUR government bonds: Primary market set to markedly slow down in November

Review: Gross issuance volume fell to just under 120 billion EUR in October

As the final quarter of 2026 got underway, the primary market for EUR government bonds slowed down modestly, as expected. For the month of October, the gross supply from eurozone countries (excluding Bulgaria, Slovenia, Croatia, Slovakia, Cyprus, Malta, Luxembourg, and the Baltic states) on the capital market totaled approximately 118 billion EUR. Compared to September (129 billion EUR), issuance activity thus declined by approximately 8%. However, the slowdown in issuance activity was somewhat less pronounced than we had predicted (LBBW forecast: 114 billion EUR). The key factor here was that Italy tapped the market more heavily than expected through new tranches of the BTP Valore retail bond (16.6 billion EUR). Nevertheless, in our view, the usual seasonal pattern, which shows a downward trend in supply as the end of the year approaches, became apparent in October. France and Germany reduced their gross issuance by 15% and 10%, respectively, compared with the previous month. In Spain, the decline was even as big as about 30%. Meanwhile, the market for new syndicated government bond issuances was muted throughout the eurozone. As of the end of October, cumulative gross issuance since the start of the year has already reached 1,317 billion EUR, which is close to the level for the entire year of 2025 (1,334 billion EUR). A new record for annual supply is therefore virtually a certainty. During the same period last year, the cumulative supply had amounted to only 1,229 billion EUR. According to our updated forecast for 2026, the eurozone countries are currently on track for a gross issuance volume of 1,434 billion EUR, an increase of 7% compared to 2025.

Gross supply: -8% M/M

Issuance forecast for 2026 at 1,434 billion EUR

Issuance progress stands at just over 90%

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 29.10.2026)	issued in %	volume in 2025	change
France	**360**	328	91%	333	8%
Germany	**350**	319	91%	290	21%
Italy	**348**	324	93%	360	-3%
Spain	**166**	152	92%	163	2%
Portugal	**18**	18	100%	21	-14%
Austria	**45**	38	85%	45	0%
Greece	**8**	8	100%	8	0%
Belgium	**51**	48	94%	45	13%
Netherlands	**52**	48	92%	38	37%
Finland	**25**	23	91%	24	5%
Ireland	**12**	12	100%	8	43%
Sum	**1434**	**1317**	**92%**	1334	**7%**

Source: Bloomberg, LBBW Research

Italy has issued slightly more than expected thus far

Based on this forecast, government debt managers have covered an average of 92% of annual financing needs as of the end of October. Two

months before the end of the year, there clearly is no longer any significant spreading among the individual eurozone countries. Ireland, Portugal, and Greece stand out, however, as all three countries are very likely to have already fully met their funding needs for 2026.

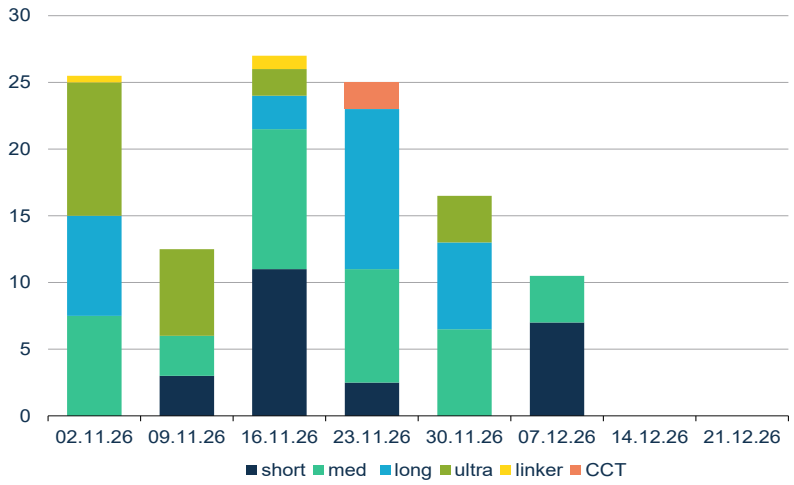
EMU: 92% of funding raised

Outlook: The volume of gross issuance is set to fall by about 26% in November to roughly 90 billion EUR

We expect the downward trend in activity on the primary market to accelerate significantly in November. The experiences of recent years suggest the following pattern: The closer the end of the year gets, the more government debt managers scale back their market presence or discontinue it early. The pipeline of new syndicated issuances is also likely to remain sparse: In this regard, we see only Austria as a potential candidate for November. Otherwise, the new issuance pipeline won't start to fill up significantly again until January. The decline in gross supply is likely to be roughly as steep as it was in November 2025, when it dropped by a good 30% (M/M). Overall, we expect gross issuance from the eurozone to range from 85 to 95 billion EUR (forecast: 90 billion EUR). The weekly average is thus set to be only around 20 billion EUR, down from approximately 30 billion EUR in September and October. Issuance activity on the EUR government bond market was last this low in December 2025.

Pipeline of new issues virtually empty

Primary market activity slows down as the year comes to a close
Expected weekly issuance volume of EUR government bonds, by maturity segment (in billions of EUR)



Source: Bloomberg, LBBW Research

Weekly average to drop to 20 billion EUR

Germany: Gross supply so slump to 22.5 billion EUR in November

The German Federal Finance Agency is targeting gross capital market issuances of 22.5 billion EUR for November. Green bonds are not included; the Bund is not expected to resume activity in this segment until January. Compared to October (29.5 billion EUR), this represents a reduction in supply of one-quarter. Each benchmark line is due for a top-up once: Schatzanweisung 12/28 (5 billion EUR on Nov. 17), OBL 10/31 (5 billion EUR on Nov. 3), the 7-year Bund 11/33 (EUR 3 billion on Nov. 18), the 10-year Bund 08/36 (EUR 5 billion on Nov. 25) as well as one double auction each in the 15/20-year (EUR 2 billion on Nov. 4) and 30-year maturity segments (EUR 2.5 billion on Nov. 11).

German supply to fall by 24% M/M

France may to place 25 billion EUR, while Italy is about to issue only between 18 and 22 billion EUR

In our view, France's bond issuance in November is likely to range between 23 and 26 billion EUR (forecast: 25 billion EUR), representing a decrease in capital market activity of approximately 15% compared with October. As part of its first auction session on November 5, the Trésor is set to tap the 10-year OAT 11/36 as well as two to three ultra-long-term bonds (total volume: 12 to 13 billion EUR). On November 19, the 5-year OAT 02/32, the 3-year OAT 09/29, and several inflation-indexed bonds (total volume of 12 to 14 billion EUR) are likely to be topped up. As to Italy, in our view, gross supply is likely to decline in November to a figure between 18 and 22 billion EUR, down from just over 35 billion EUR in the previous month. According to our forecast, the mid-month auction (Nov. 12) will include tapping the 7-year BTP 09/33, as well as the 3-year BTP 09/29 and one or two ultra-long-term bonds. The total volume may be between 7 and 8 billion EUR. As part of the end-of-month auctions (Nov. 25 and 27), the Tesoro is likely to tap the 10-year BTP 10/36, the 5-year BTP 02/32, a short-term BTP, as well as linkers and floaters, with a total volume of 12 to 14 billion EUR.

Italy: Presumably without new issuance

Highest net issuance to come from Germany and Spain

Details of upcoming government bond supply in November (in billions of EUR)

November 2026 - estimated								
	short	med	long	ultra	linker	Total	ret.	net
France	4,5	7,5	7,5	4,5	1,0	25,0	45,8	-20,8
Germany	5,0	8,0	5,0	4,5		22,5	1,2	21,3
Italy	5,5	8,5	3,5	1,5		19,0	17,6	1,4
Spain	1,5	2,5	2,5	2,5	0,5	9,5	1,0	8,5
Portugal								
Austria		4,0		1,5		5,5	0,1	5,4
Greece								
Belgium		1,0	1,5			2,5		2,5
Netherlands			2,0	2,5		4,5		4,5
Finland				1,5		1,5		1,5
Ireland								
Total	16,5	31,5	22,0	18,5	1,5	90,0	65,7	24,3
in %	18%	35%	24%	21%	2%			

Source: Bloomberg, LBBW Research

Net negative issuance from France

With regard to Spain, we expect gross supply to decline from 11 billion EUR in October to between 9 and 10 billion EUR in November. The two auction dates, November 5 and November 19, are each likely to provide for an issuance volume of between 4.5 and 5 billion EUR. This may be distributed among three to four existing government securities, including an inflation-protected bond on November 5.

The Netherlands appear twice

The Netherlands is planning its last two capital market offerings of 2026 for November, specifically on November 10 and November 24. According to our perception, the 10-year NETHER 07/36 is likely to be offered for top-up on one of these two dates. Gross supply may well range between 4 and 4.5 billion EUR. Belgium will conclude its financing program on November 23 with the issuance of two to three OLOs totaling an estimated 2.5 billion EUR. From Austria (Nov. 3), we expect two existing Bunds to be tapped in November for a total of 1.5 to 1.7 billion EUR. Meanwhile, Finland is set to make its final primary market offering of the year on November 17 (estimated volume: 1.5 billion EUR).

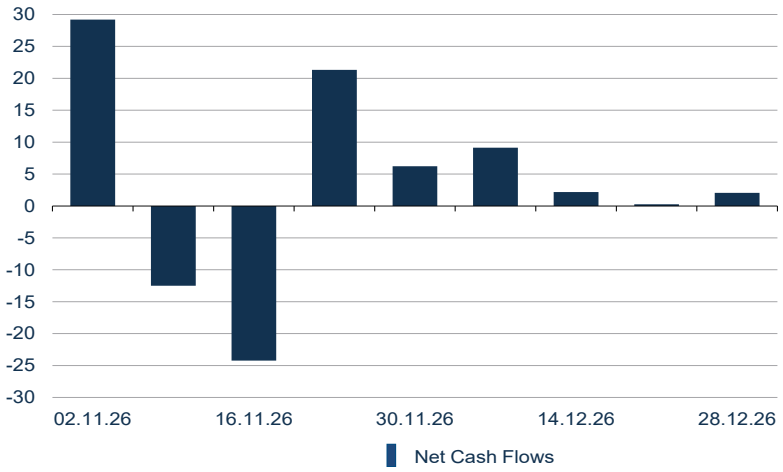
Final taps for Belgium, Finland, and the Netherlands

Net cash flow to remain negative – moderate downward price pressure!

Notwithstanding the significant decline in gross government bond issuance that we forecast, the net supply situation in the euro government bond market likely remains virtually unchanged from the previous month. The reflows available to investors for reinvestment may also decline by just under 30% (M/M) compared with the previous month: According to our analysis, the gross issuances we expect, totaling 90 billion EUR, are offset by reflows totaling only 66 billion EUR. Of this amount, 49 billion EUR are attributable to maturities. Net issuance thus amounts to slightly more than 40 billion EUR, compared with approximately 50 billion EUR in both September and October.

High negative net cash flows in early November

Expected Net Cash Flows (Inflows minus Issuance) per Week (in billions of EUR)



Source: Bloomberg, LBBW Research

High supply overhang around the middle of the month

In addition to the downward pressure on bond prices caused by negative net issuance, there is an ongoing deprivation of demand due to the ECB's "quantitative tightening." We estimate the latter effect to be around 35 billion EUR in November on the euro government bond market, up from 22 billion EUR in October. In contrast, the French government bond market, which has come under heavy selling pressure repeatedly in recent weeks, is set to benefit from a relatively favorable situation, with positive net cash flows providing support for prices. Along the timeline, supply overhangs that tend to put downward pressure on bond prices, in and of itself, will be concentrated around the middle of next month, while November begins and ends with positive net cash flows. As can be seen from the chart above, issuance on the EUR government bond market comes to a complete standstill starting in mid-December, while reflows will drop to a minimum heading into Christmas holidays. The maturities in November will be distributed between Italy (12.4 billion EUR on November 1) and France (36.4 billion EUR on November 25).

Maturities in November from France and Italy

03 |

Credit Strategy

Credit spreads are recovering

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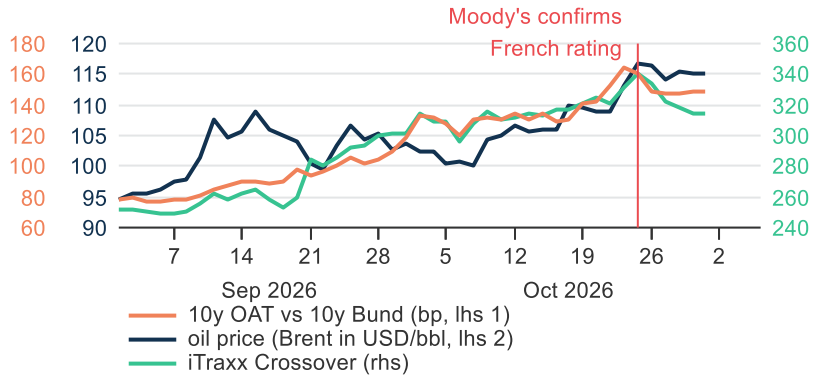
Falling oil prices and interest rate decisions provide support

Following the sharp widening seen in recent weeks, credit spreads have narrowed slightly again recently. This was partly due to the temporary fall in oil prices and Moody's decision to maintain France's rating at Aa3 with a negative outlook. However, the relief remains fragile: The price of oil has recently reacted sharply to mixed signals regarding possible negotiations with Iran and a resumption of military action. The conflict remains unresolved, and the geopolitical risk premium persists.

Spreads slightly tighter

Spreads are benefiting from falling oil prices and Moody's rating
iTraxx Crossover vs. oil price (Brent) vs. French spread



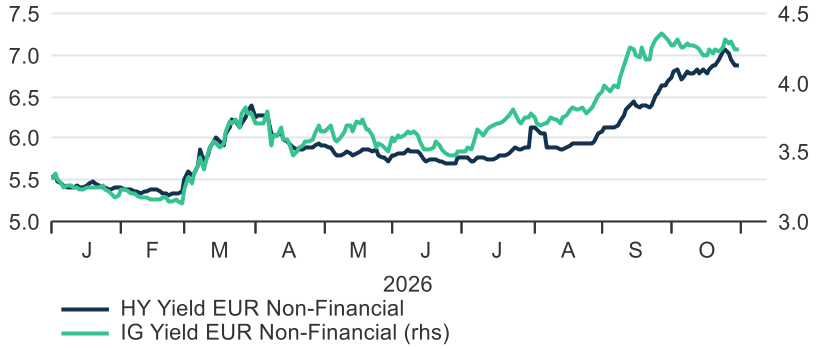
Source: LSEG, LBBW Research

Confirmation of France's rating provides support

As expected, the Fed and the ECB left rates unchanged. The slightly dovish market reaction to the comments made by Fed Chairman Warsh is consistent with our view that US key interest rates are approaching their peak. The situation is similar for the euro area: The ECB cited, amongst other things, the pending data and the December projections as reasons for its wait-and-see approach. We consider a rise in December to be likely. Yields on corporate bonds remain at elevated levels. An approaching peak in interest rates could stabilize them in the long term, but need not necessarily lead to falling yields in the short term.

Key rates remain unchanged, as expected

Yields on corporate bonds remain attractive
EUR IG Non-Financials vs. EUR HY Non-Financials



Source: LSEG, LBBW Research

Corporate bond yields remain at a high level

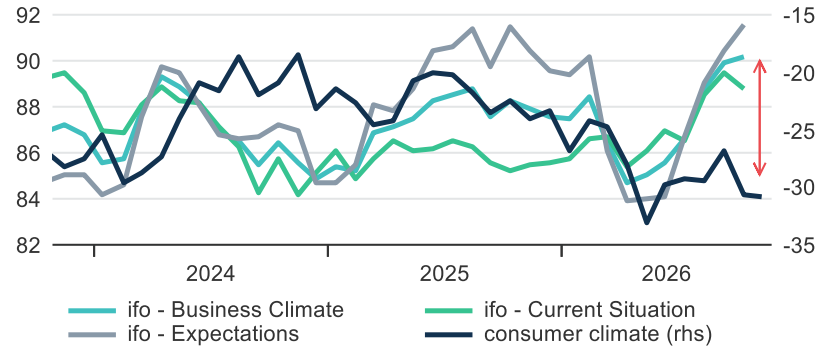
ifo optimism has not yet reached consumers

The ifo Business Climate Index rose in October for the sixth month in a row. This was driven by improved expectations; by contrast, the assessment of the current situation took a turn for the worse. The picture is also

mixed when it comes to consumers: The GfK Business Climate Index rose for the sixth consecutive time, but expectations regarding spending and income fell. Consumer confidence fell slightly and is well below the figure for the same period last year. There are therefore signs of an economic recovery, but this has not yet reached private households.

ifo index has risen six times in a row

ifo business climate rises, consumer confidence remains flat
ifo Business Climate Index vs GfK Consumer Climate Index



Gap between business climate and consumer climate

Source: LSEG, LBBW Research

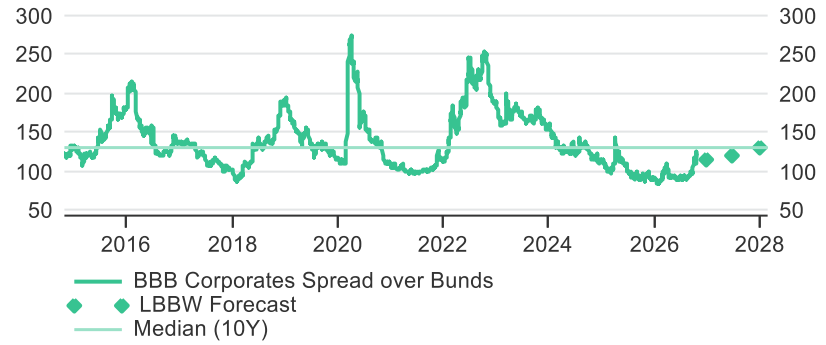
CONCLUSION – Spread forecasts raised slightly

The fall in oil prices, the fact that France's credit rating has not been downgraded, and the first signs of economic stabilization are currently providing some relief to the markets. This is offset by the unresolved conflict with Iran, the fragile economy and political uncertainty in France. High levels of investment in AI are also being scrutinized more closely in terms of their profitability: Following the release of its quarterly results, Microsoft rose by more than 3 per cent in after-hours trading, whilst Alphabet fell by nearly 10 per cent.

Opportunities and risks

Despite the recent widening, credit spreads remain at historically low levels. We therefore expect a further normalization towards the historical median and are raising our forecasts for BBB corporate bonds relative to Bunds slightly: to 115 basis points by the end of 2026, 120 basis points by mid-2027 and 130 basis points by the end of 2027.

Spread forecasts revised
Spreads between BBB-rated corporate bonds and Bunds (in basis points)



Forecasts:

31 Dec 26: 115 bp
(previously 100 bp)

30 Jun 27: 120 bp
(previously 105 bp)

31 Dec 27: 130 bp
(previously 110 bp)

Source: LSEG, LBBW Research

04 | Calendar/Analytics

Developed Markets Overview

	2 Years			10 Years		
Euro Area	**Yields**	**Spread**	**Change***	**Yields**	**Spread**	**Change***
Bund	3,07			3,34		
Jumbo	3,40	33	-1	3,83	49	-1
Swap	3,38	31	-2	3,45	10	-1
Netherlands	3,07	0	-2	3,44	10	-1
Austria	3,18	11	-4	3,63	28	-2
France	3,66	59	-13	4,94	160	-8
Belgium	3,31	24	-3	4,38	103	-5
Italy	3,53	46	-1	4,52	118	-5
Spain	3,18	11	-3	3,97	63	-7
Ireland	n.a.	n.a.	n.a.	3,48	13	-1
Portugal	3,14	7	-4	3,83	49	-7
Greece	n.a.	n.a.	n.a.	4,31	97	-8
EX. EURO AREA	**Yields**	**Spread**	**Change***	**Yields**	**Spread**	**Change***
USA	4,59	152	-10	4,93	159	-6
Canada	3,32	25	-4	3,80	46	-4
Japan	1,88	-119	-1	2,78	-56	-2
UK	4,90	183	-2	5,29	195	-6
Switzerland	0,26	-281	2	0,51	-283	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
02.11.2026	Japan	Green JGB	5Y			
03.11.2026	Germany	OBL	10/31	2.90%	€ 5 bn.	Tap
03.11.2026	Austria	RAGB			€ 1.5 bn.	Tap
03.11.2026	UK	UKT	10Y		GBP 3.25 bn.	Tap
04.11.2026	Germany	Bund	15Y/20Y		€ 2 bn.	Tap
05.11.2026	Japan	JGB	10Y		JPY 2.6 tn.	
05.11.2026	France	OAT	11/36	3.70%	€ 6 bn.	Tap
05.11.2026	France	OAT	15Y - 30Y		€ 6 bn.	Tap
05.11.2026	Spain	SPGB	3Y - 30Y		€ 4.5 bn.	Tap
05.11.2026	Spain	SPGB€i			€ 0.5 bn.	Tap

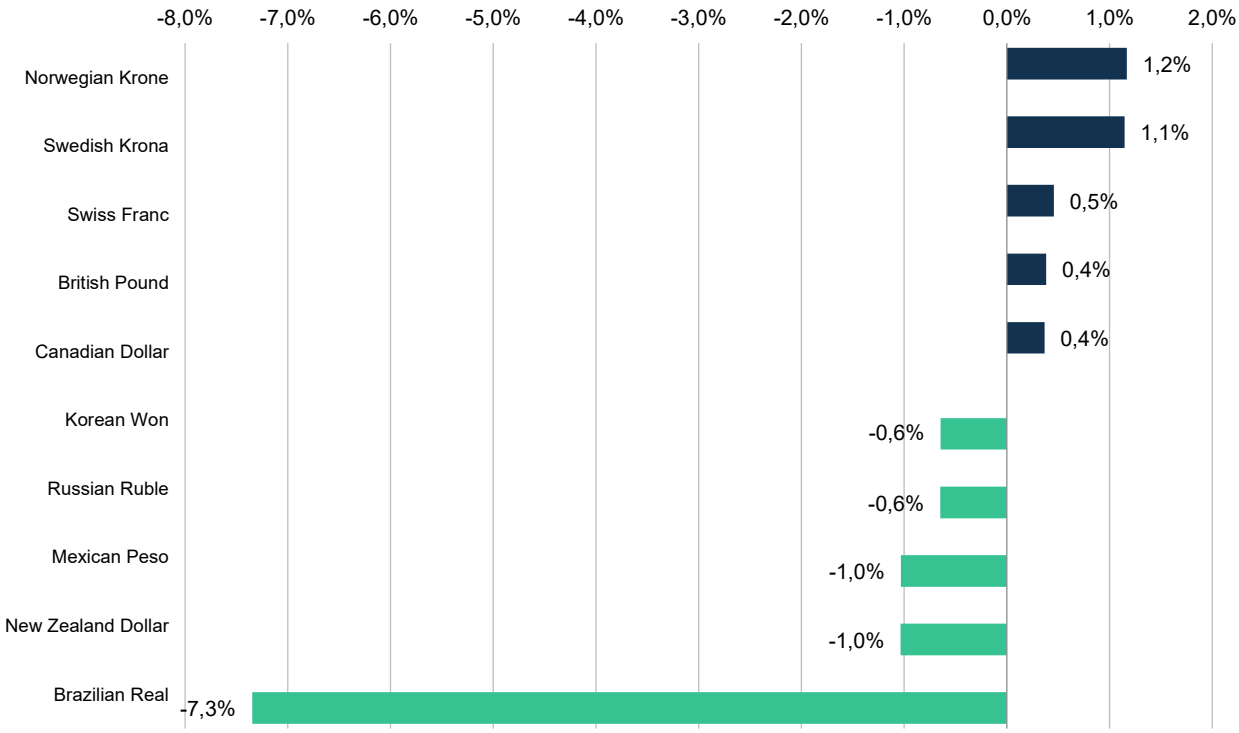
Nov. 4, USA: Treasury to publish quarterly refunding statement (Nov. - Jan.), incl. auction volumes for coupon bonds (widely expected to remain unchanged Q/Q).

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	17.12.26	2,50%	10.09.26	2,25%	3,8%	↑			
United States	09.12.26	4,00%	16.09.26	3,75%	3,7%	↗	4,6%	1,1186	1,1270
United Kingdom	05.11.26	3,75%	18.12.25	4,00%	3,5%	↗	3,4%	0,8344	0,8408
Japan	30.10.26	1,25%	18.09.26	1,00%	2,1%	↗	4,2%	176,23	174,95
China	***	2,00%	25.09.24	2,30%	0,9%	▪	7,6%	7,45	7,38
Switzerland	10.12.26	0,00%	19.06.25	0,25%	1,0%	↑	-0,4%	0,9198	0,9068
Argentina	***	29,00%	31.01.25	32,00%	32,9%	↘	-5,4%	1.718,85	1.936,08
Australia	03.11.26	4,60%	29.09.26	4,35%	3,2%	↗	2,4%	1,59	1,61
Brazil	04.11.26	13,75%	16.09.26	14,00%	4,6%	▪	-3,0%	6,02	6,29
Canada	09.12.26	2,50%	28.10.26	2,25%	3,1%	↗	2,0%	1,56	1,56
Czech Republic	05.11.26	3,75%	18.06.26	3,50%	2,5%	↗	0,2%	24,34	24,45
Denmark	***	2,25%	11.09.26	2,00%	2,2%	↑	0,0%	7,47	7,46
Hong Kong	***	4,25%	08.11.24	4,00%	1,9%	▪	4,7%	8,78	8,79
Hungary	17.11.26	5,50%	25.08.26	5,75%	1,6%	▪	-0,3%	365,69	370,22
India	04.12.26	5,50%	06.02.25	5,25%	5,5%	↑	4,3%	106,46	110,01
Indonesia	18.11.26	5,75%	18.06.26	5,50%	3,3%	▪	-0,3%	20.314,11	20.703,84
Mexico	05.11.26	6,50%	07.05.26	6,75%	3,5%	↓	-3,0%	21,12	21,53
New Zealand	09.12.26	2,75%	02.09.26	2,50%	3,7%	↗	0,0%	1,99	1,99
Norway	05.11.26	4,50%	24.09.26	4,25%	3,4%	▪	5,3%	10,32	10,42
Poland	04.11.26	3,75%	04.03.26	4,00%	4,1%	↗	-3,0%	4,39	4,42
Romania	12.11.26	6,50%	07.08.24	6,75%	6,6%	↓	-2,9%	5,34	5,43
Russia	18.12.26	14,00%	24.07.26	14,25%	6,4%	▪	-3,3%	91,03	97,06
Singapore	***	2,32%	n.a.	2,03%	2,2%	↗	4,5%	1,43	1,42
South Africa	19.11.26	7,25%	23.09.26	7,00%	4,5%	↑	5,1%	18,61	19,00
South Korea	26.11.26	3,00%	27.08.26	2,75%	2,9%	↗	16,2%	1.491,60	1.495,25
Sweden	04.11.26	1,75%	23.09.25	2,00%	1,1%	↗	-1,4%	10,99	10,96
Turkey	10.12.26	36,00%	22.10.26	37,00%	29,7%	↘	-5,1%	55,91	65,38

Sources: Bloomberg, LBBW Research

The Strongest Currency Appreciations and Depreciations Against the Euro This Week

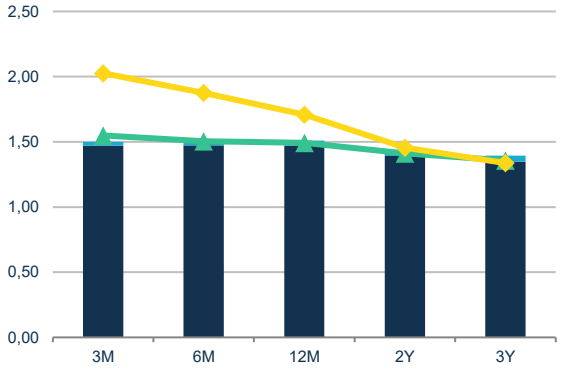


Sources: Bloomberg, LBBW, Research

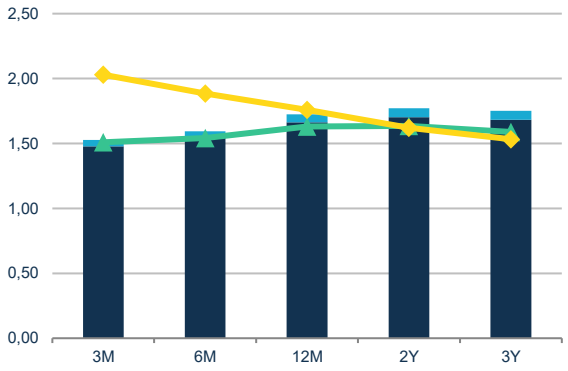
Interest rate differential and FX insurance costs vs. the Euro for selected currencies

interest rate differential, basis swap rates and insurance costs

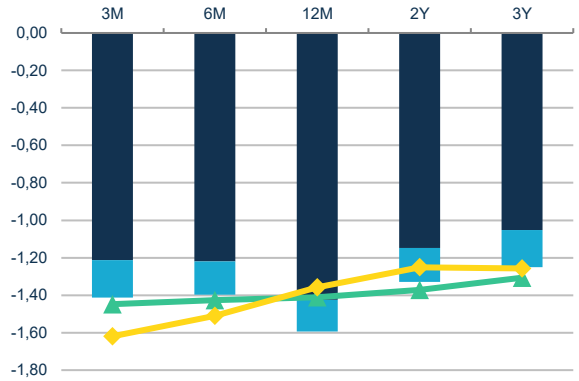
US dollar



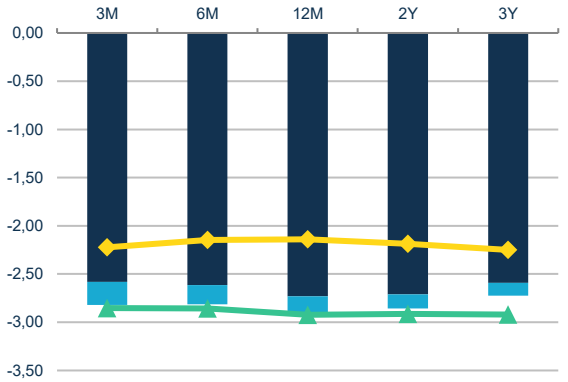
British pound



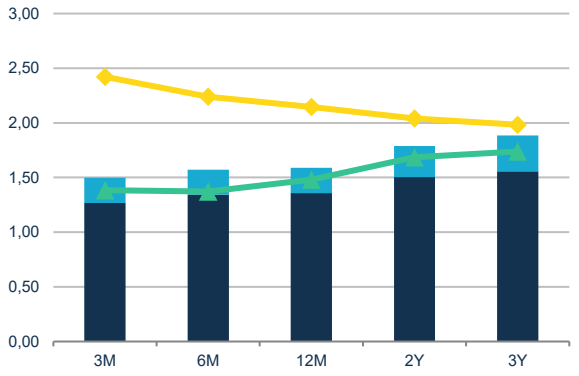
Japanese yen



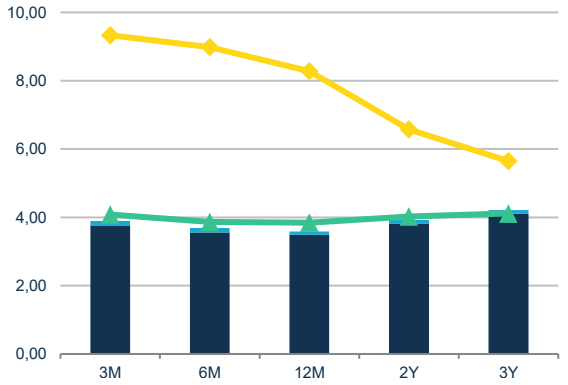
Swiss franc



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

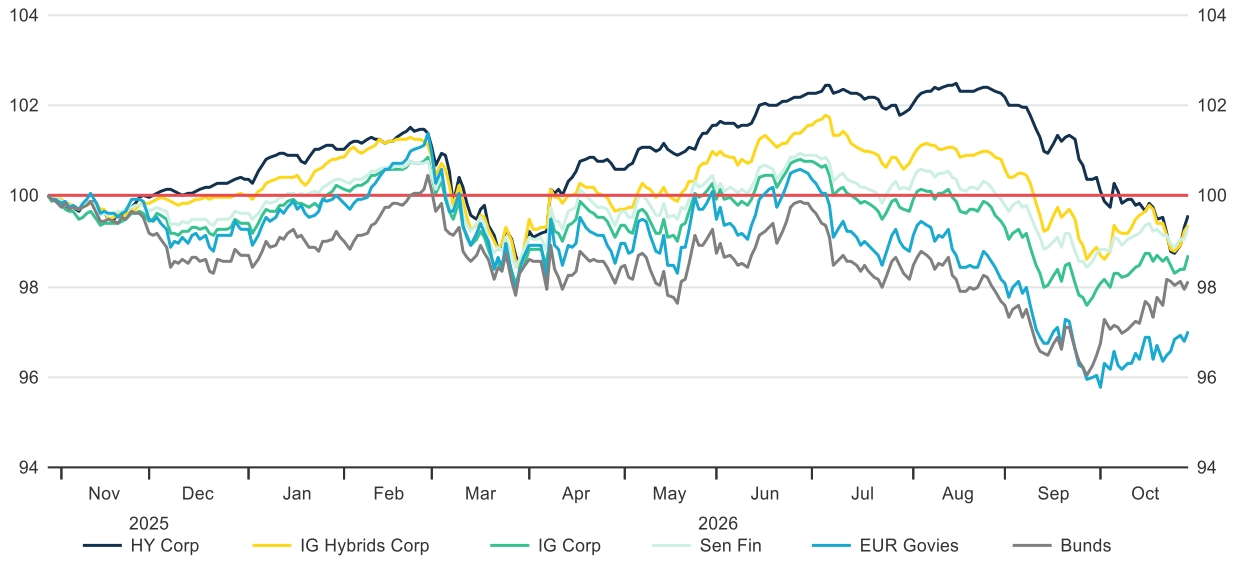
5Y CDS Spreads	Current	Changes				
		1W	1M	3M	6M	1Y
IG Corporates	63	-5	1	10	4	10
HY & NR Corporates	314	-27	13	52	22	51
Senior Financials	72	-7	2	16	9	5
Sub Financials	119	-16	5	30	16	19

EUR Indices	Current	Changes				
		1W	1M	3M	6M	1Y
Non-Financials	86	-3	10	11	9	11
Banks Senior Preferred	69	-4	13	18	13	12
Banks Senior Bail-in	87	-9	12	16	11	16
Banks Subordinated	129	-13	19	24	16	17

*time lag of one day, Asset Swap Spreads 30.10.2026

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	
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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ORIGINAL PUBLICATION DATE: 30.10.2026.
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