Bonds Weekly

CW 31/2026 | LBBW Research | Strategy/Macro

Kevin Warsh keeps the markets guessing

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Our View

Bond Market Movers – Review and Outlook

What drove the bond markets last week?

- The news situation in the Middle East oscillates between hope for a new diplomatic initiative to defuse the U.S.-Iran conflict and disappointment over the latest round of reciprocal military strikes. Traffic in the Strait of Hormuz has so far remained very light.
- The Fed left its target range for the overnight rate unchanged at 3.50% to 3.75%. Meanwhile, three regional central bank presidents called for a 25-basis-point hike in the key rate.
- The Bank of England and the Bank of Japan also played the waiting game. At the BoE, the number of dissenting votes in favor of an interest rate hike rose compared to June.
- The ifo Business Climate improved in July for the third consecutive month, as expectations climbed significantly.
- U.S. GDP grew at a slightly slower pace in the second quarter than in the first quarter at 1.5% (annualized). The eurozone economy returned to a growth trajectory, and more strongly so than expected, with expansion of +0.4% (Q/Q).
- Inflation in Germany picked up again in July due to the omission of a gasoline tax rebate. The core rate, on the other hand, retreated.
- Investor demand once again fell short of the planned issuance volume at the most recent auction of 10-year Bunds.

What could drive the market next week?

- The financial markets are set to remain focused on developments in the Middle East and trends in commodity prices. Between a renewed escalation and a diplomatic rapprochement, anything seems possible.
- The U.S. jobs report for July will be the highlight of the macroeconomic data calendar. The sentiment indicators available to date point to robust job growth.
- Regional leading indicators for the U.S. economy also suggest that the ISM indices for both the manufacturing and services sectors rose in July.
- The primary market for U.S. Treasuries will be in the doldrums next week. The focus is on the U.S. Treasury's quarterly refunding statement, specifically on whether it hints at any medium-term adjustments to the issuance volume. Meanwhile, activity in the primary market for euro-denominated government bonds is likely to remain roughly unchanged from the previous week. We expect gross supply to total
- approximately EUR 25 bn. Net cash flows are set to slip into modestly negative territory.

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Back and Forth in the Middle East

After several weeks of gradual military escalation in the Middle East, there have been periods of apparent de-escalation again in recent days, at least temporarily. A lull in hostilities between the U.S. and Iran fueled market participants' hopes that the diplomatic process would regain momentum. Especially since Donald Trump spoke positively about the progress of the negotiations on a permanent agreement to resolve the conflict, which are continuing behind the scenes. A short time later, the parties to the conflict were once again firing at each other, and the U.S. president resumed his aggressive rhetoric. The back-and-forth once again led to high volatility in energy prices, as geopolitical risk premiums declined modestly on balance compared with the previous week. On the major government bond markets on both sides of the Atlantic, this was reflected in moderate price recoveries. Short-term bonds, in particular, saw a tailwind, while long-term bonds hit stronger resistance. In our view, the bond bulls can certainly count it as a win that the previous downward spiral in prices has been halted for the time being. And this happened just as 10-year benchmark yields in the U.S. and the eurozone were each poised to break through key resistance levels. However, we see a significant risk that this is merely a brief respite before another slump. On the U.S. Treasury market, the 10-year yield has, on balance, remained close to the annual high reached a week ago amid sharp fluctuations in oil prices (see the chart below). We expect investors to remain keen on hedging against rates rising yet further as long as there are no signs of a lasting détente in the Middle East.

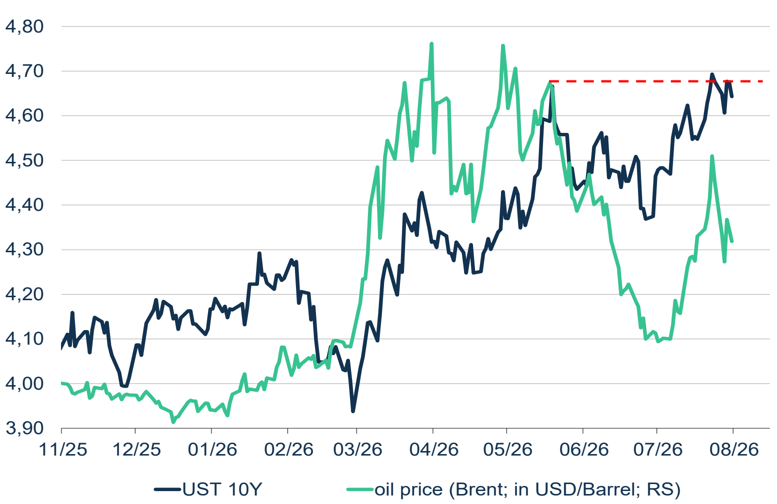
Energy prices still highly volatile

Bond market rout has stopped for the time being, …

… but is it more than just a short breather?

Chart of the Week

Yield on 10-Year U.S. Treasuries and Brent crude oil price (in USD/barrel)



Source: Bloomberg, LBBW Research

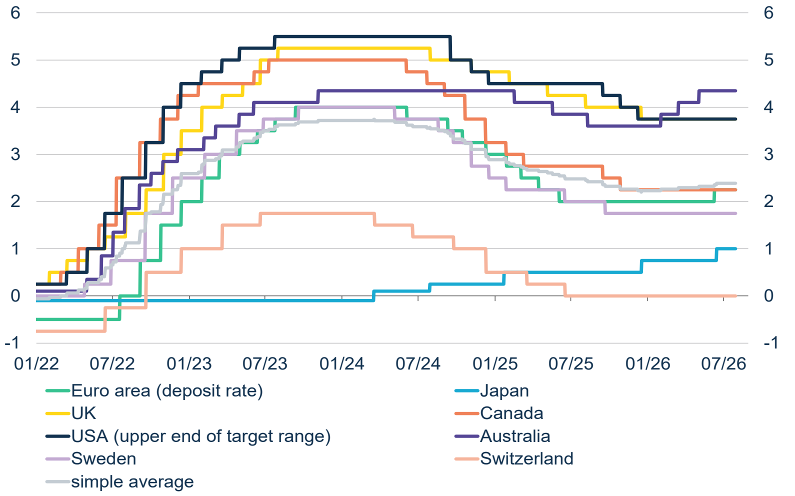
Central banks are keeping their feet still – several dissents at the Fed

The striking relative weakness of long-term government bonds this week can likely also be attributed to the recent decisions by major central banks around the globe to keep their monetary policies unchanged, despite the ongoing inflationary risks. Market participants are viewing the actions of the U.S. Federal Reserve with a certain degree of suspicion. The Fed's decision to leave its target range for the federal funds rate unchanged at 3.50% to 3.75% for the fifth consecutive time did come as

Fed maintains a wait-and-see stance

no surprise to the vast majority of observers (including us). Moreover, in our view, three dissenting votes from among the regional Fed presidents in favor of a rate hike sent a “hawkish” signal.

No changes to key rates before the summer break
Key interest rates for selected currency areas

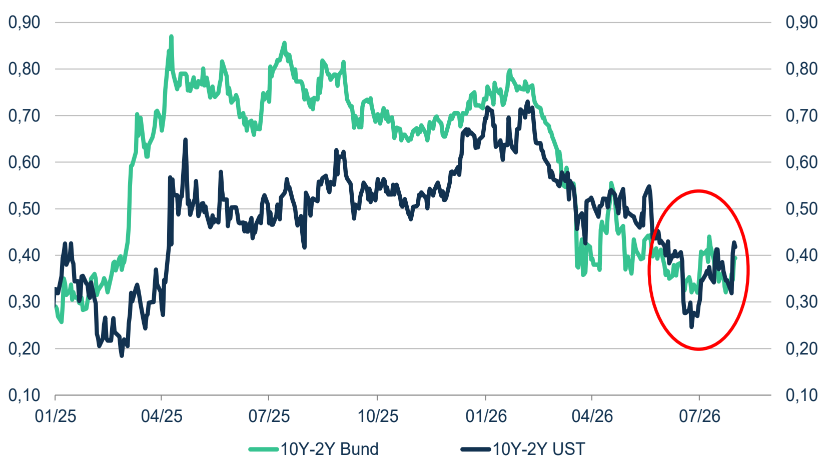


Source: Bloomberg, LBBW Research

Some investors had speculated that Kevin Warsh may push for a rate hike, …

Behind the scenes, however, it appears that some investors had speculated that Federal Reserve Chairman Warsh might push for a tightening of monetary policy in order to reinforce his self-proclaimed image as a fighter against inflation. A rate hike by the Fed would have, in principle, contributed to a flattening of the U.S. dollar yield curve. The U.S. central bank’s decision to keep monetary policy on hold, in turn, likely prompted some market participants to close out positions anticipating a flatter yield curve.

U.S. yield curve steepness hits a two-month high
10-year to 2-year yield spread on the U.S. Treasury yield curve and on the Bund yield curve



… now they're closing out bets on a flatter curve

Source: Bloomberg, LBBW Research

In addition, Mr. Warsh saw no reason to elaborate further on the Fed’s reasons for not raising interest rates. In our view, this approach is consistent with his strategy of communicating as sparingly as possible with the public and financial market participants. Given the current situation, however, some observers apparently see the lack of further explanation as posing a risk that the Fed chair could damage his credibility as a determined fighter against inflation. This may reflect a concern that Mr. Warsh might not, after all, be as independent of the U.S. government's wishes as he himself has repeatedly asserted. Furthermore, observers are increasingly speculating as to whether the task forces established by the Fed might propose a new measure of inflation that would, in effect, make it easier to return to the inflation target.

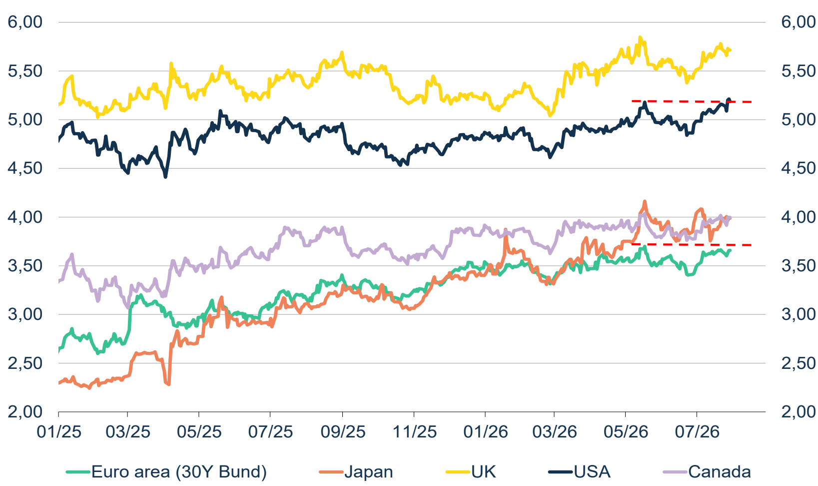
Term premiums for U.S. long-term bonds are rising

While we currently see no reliable evidence that political influence may have played any role in the U.S. central bank's most recent interest rate decision. Rather, the macroeconomic data from recent weeks – most notably the unexpectedly sharp decline in inflation in June – created room to maintain a wait-and-see stance on monetary policy for the time being. However, it seems to us that investors are now, to some extent, taking back the premature praise they had bestowed on Mr. Warsh for his self-declared independence. As a result, yields on very long-term U.S. Treasury securities rose post-FOMC. The result is an additional push toward steepening the U.S. yield curve, which has driven the yield spread between 10-year and 2-year U.S. Treasuries to its highest level since early June (see chart above). This momentum also appears to have spilled over into the EUR yield curve. Investors' appetite for ultra-long-term bonds was hit hardest by the renewed concerns about the credibility of the new Fed chair. The yield on 30-year U.S. Treasuries climbed to its highest level since 2007 following the Fed's decision.

Is Warsh's sparse communication undermining his credibility?

Yields on ultra-long-term U.S. Treasuries have been under significant upward pressure

Yields on 30-year government bonds for selected currency areas



Source: Bloomberg, LBBW Research

Ultra-long-term U.S. Treasuries are hit most by rising term premiums

Outlook: Focus on the U.S. labor market

The market reaction to the Fed's interest rate decision is in line with our forecast of a future steepening of the U.S. dollar yield curve. At the same time, we hope that a sustainable easing of tensions in the Middle East by the end of the summer will help lift sentiment somewhat across the major bond markets on both sides of the Atlantic. Moreover, based on the above assumption, we believe the Federal Reserve has room to maintain its wait-and-see stance on monetary policy in the coming months without suffering any lasting loss of credibility. If, on the other hand, the situation in the Gulf does not ease in the coming weeks, the increasingly narrow majority on the FOMC in favor of keeping key interest rates unchanged will be in jeopardy.

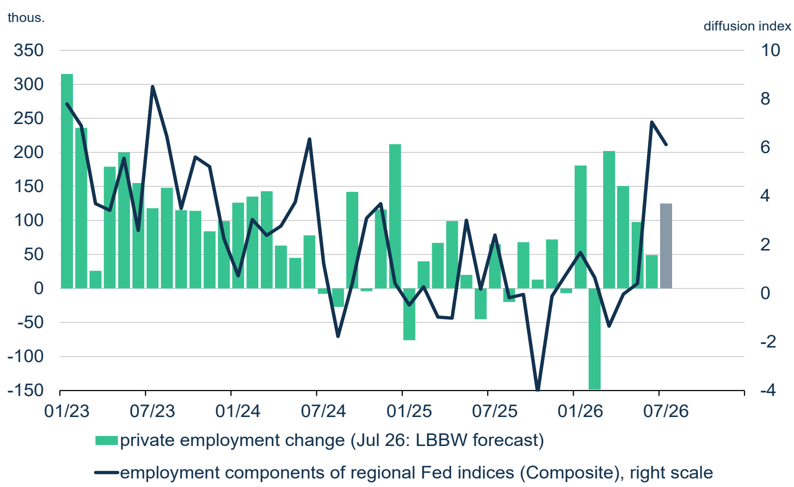
The Fed's course depends primarily on Middle East developments

Looking at the broader macroeconomic data, the next key factors influencing the Federal Reserve's monetary policy decisions will come from the U.S. labor market. The official employment figures for July are scheduled for release at the end of next week (August 7); prior to that, the private staffing firm ADP will release its figures for the month drawing to a close (August 5). Based on the available indicators, we consider it likely that the employment time series mentioned will show divergent trends. On the one hand, the ADP report is set to show a slowdown in job growth for the second consecutive month, based on weekly employment data. On the other hand, coming to the official labor market statistics, we suspect that the sharp downturn in job growth reported for June was an outlier. We infer this from the generally optimistic sentiment among companies, based on the average of the most recent surveys conducted by regional Fed branches. Based on this, we forecast job growth of over 100,000 in the U.S. private sector, following an increase of only about 50,000 in June (see the chart below). In our view, the positive sentiment indicated by the regional U.S. leading indicators also suggests that the ISM indices for both the manufacturing sector (Aug. 3) and the services sector (Aug. 5) will show improvement in July.

U.S. job data for July is set to show a mixed bag

Positive business sentiment points to robust job growth

Employment Growth in the U.S. Private Sector (M/M, in thousands) and Average of Regional Employment Indicators



Source: LSEG, LBBW Research

U.S. companies fairly optimistic on employment

If the U.S. data mentioned above confirm our optimistic forecasts, this is likely to play into the hands of the monetary policy hawks within the Fed. The risk of another price slump in the U.S. Treasury market therefore remains considerable. However, the U.S. inflation data for July – which is scheduled for release in the second week of August – is likely to carry even more weight in shaping the U.S. central bank's monetary policy course.

In sum, macro data may deliver fodder for the Fed hawks

Forecasts at a Glance

Euro Area		Spot	30.09.26	31.12.26	30.06.27
ECB Main Refinancing Rate		2,40	2,65	2,65	2,65
ECB Deposit Rate		2,25	2,50	2,50	2,50
Overnight Rate (€STR)		2,19	2,45	2,45	2,45
3M Euribor		2,47	2,55	2,55	2,55
Swap 2Y		2,97	2,80	2,85	2,75
Swap 5Y		3,02	2,85	2,90	2,85
Swap 10Y		3,17	3,05	3,10	3,15
Bund 2Y		2,76	2,60	2,70	2,65
Bund 5Y		2,89	2,70	2,80	2,80
Bund 10Y		3,16	3,00	3,10	3,20
Swap/Bund 2Y		20	20	15	10
Swap/Bund 5Y		13	15	10	5
Swap/Bund 10Y		2	5	0	-5
Spread BBB Corporates/Bund		90	100	110	120
USA		**Spot**	**30.09.26**	**31.12.26**	**30.06.27**
Fed Funds Target Rate		3,75	3,75	3,75	3,75
Overnight Rate (SOFR)		3,65	3,65	3,65	3,65
3M Money Market		3,82	3,75	3,75	3,65
Swap 2J (SOFR-OIS)		4,08	3,95	3,90	3,65
Swap 5J (SOFR-OIS)		4,08	3,85	3,85	3,75
Swap 10J (SOFR-OIS)		4,23	3,95	4,00	4,00
Treasury 2Y		4,23	4,10	4,10	3,85
Treasury 5Y		4,36	4,15	4,20	4,10
Treasury 10Y		4,65	4,40	4,50	4,55
G5		**Spot**	**30.09.26**	**31.12.26**	**30.06.27**
Japan	*Overnight Rate (TONAR)*	0,98	1,00	1,25*	1,30
Japan	*10Y Government Bond*	2,81	2,75	2,80	2,90*
UK	*Overnight Rate (SONIA)*	3,73	3,70	3,95	3,95
UK	*10Y Government Bond*	4,98	4,80	4,90	4,90
Switzerland	*Overnight Rate (SARON)*	-0,04	-0,05	-0,05	-0,05
Switzerland	*10Y Government Bond*	0,44	0,35	0,40	0,45
FX		**Spot**	**30.09.26**	**31.12.26**	**30.06.27**
EURCHF		0,9289	0,92	0,93	0,94
EURCNY		7,7709	8,01	7,91	7,62
EURGBP		0,8561	0,85	0,85	0,85
EURJPY		184,71	187	186	182
EURUSD		1,1516	1,17	1,18	1,19
USDCHF		0,8066	0,79	0,79	0,79
USDCNY		6,7471	6,85	6,70	6,40
GBPUSD		1,3451	1,38	1,39	1,40
USDJPY		160,4	160	158	153

Economic Development		2024	2025	2026e	2027e
Germany	*GDP*	-0,5	0,4	0,5	0,8
	Inflation	2,3	2,2	2,7	2,3
Euro Area	*GDP*	1,0	1,5	0,8	1,0
	Inflation	2,4	2,1	2,9	2,4
UK	*GDP*	1,0	1,3	0,8	1,3
	Inflation	2,5	3,2	2,8	2,4
USA	*GDP*	2,8	2,1	2,2	1,6
	Inflation	3,0	2,7	3,6	2,2
Japan	*GDP*	-0,2	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:* The U.S. and Iran initially paused their days-long exchange of military attacks and signaled a return to the negotiating table – U.S. President Trump expressed confidence in imminent diplomatic progress and spoke of allegedly positive talks – however, the relative calm was disrupted by renewed Iranian shelling of ships in the Strait of Hormuz; Trump, in turn, escalated his threatening rhetoric once again.
- *Geopolitics:* Chinese government denies media reports about the delivery of anti-aircraft missiles to Iran – China instead views its own role as that of a force for peace.
- *Monetary Policy – ECB:* Several ECB officials have hinted at a high probability of another key interest rate hike at the September meeting – “The probability that interest rates will rise is much higher than the probability that they will not,” said Simkus, head of Lithuania’s central bank – according to Sleijpen, head of the Dutch central bank, a rate hike in September could be appropriate even without concrete signs of second-round effects.
- *Monetary Policy – Fed:* Federal Reserve leaves its target range for the federal funds rate unchanged at 3.50% to 3.75% for the fifth consecutive time – Macroeconomic assessment identical to that of the June meeting – Three regional Fed bank presidents dissented from the majority, voting for a 25-basis-point rate hike – Fed Chairman Warsh reaffirmed the Fed’s readiness to act “where necessary and appropriate” – If inflation remains high, key interest rates could be “part of the solution.”
- *Monetary Policy – UK:* As expected, the BoE left its key interest rate unchanged at 3.75% – with three dissenting votes in favor of a 25 -basis-point rate hike, marking one more dissenter than at the MPC’s June meeting – Central bank officials reaffirm their readiness to act as necessary – no second-round effects of the energy price shock on inflation have been observed so far; however, this is no reason to sit back and relax – Inflation risks remain tilted to the upside.
- *Monetary Policy – Japan:* As expected, the BoJ leaves its key interest rate unchanged at 1.00% – one of the nine central bank members votes in favor of another rate hike – central bank reaffirms its guidance that it will maintain its course toward continued monetary tightening, provided the macroeconomic environment develops as expected – BoJ has become somewhat more optimistic about the Japanese economy than it had been recently.
- *Germany – Economy:* GDP growth came in at a surprisingly positive 0.2% (Q/Q) in the second quarter – figure for the previous quarter was also revised upward to +0.4% – with the main boost coming from foreign trade, while investment weighed on growth.
- *Germany – Economy:* ifo Business Climate Index improved in July for the third consecutive month, rising from 85.7 to 86.6 points – highest level since February 2026 – Expectations jumped from 84.3 to 86.7 points – while the assessment of the current situation declined from 87.0 to 86.5 points.
- *Germany – Inflation:* Price pressure rose again in July following a previous slowdown, reaching a rate of 2.8% (Y/Y), up from 2.3% in June – omission of the so-called “discount at the pump” was the main cause – core rate, however, fell from 2.5% to 2.4%, as price pressure in the services sector eased significantly.
- *Germany – Inflation:* ifo Barometer for corporate price expectations declined in July for the third consecutive month – just 21.6% of companies now expect price increases, the lowest level since February 2026, down from 26.1% in June.

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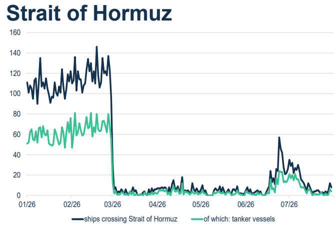
Where is the Middle East headed?

Strait of Hormuz



Sources: Bloomberg, LBBW Research

Fed, BoE, and BoJ leave key rates unchanged

German economy proves more robust than expected

- *Germany – Foreign Trade:* Bundesbank offers a mixed interim assessment of the impact of U.S. tariff policy on German economy – exporters have generally escaped unscathed so far – However, uncertainty persists and is seen eroding investment plans – Bundesbank attributes the robust performance of the global economy to workarounds, bilateral agreements that reduce tariffs, and the global AI boom, which has driven investment upward – the reindustrialization hoped for by the U.S. government has not materialized, and the costs of the tariff policy are being borne largely by U.S. consumers.
- *Germany – Productivity:* According to an analysis by the Bundesbank, bureaucratic burdens on businesses are now measurably hindering productivity and growth – Warning of lost growth – Between 2022 and 2024, bureaucratic costs at companies surveyed by the Bundesbank rose on average from about 5 to 7% of annual revenue.

Bundesbank: Bureaucracy is a heavy burden on companies

- *Eurozone – Economy:* GDP growth in the second quarter, at +0.4%(Q/Q), significantly exceeded expectations following stagnation in the first quarter – Italy, France, and Germany each grew by 0.2%, while Spain once again stood out positively with +0.7%.
- *Eurozone – Economy:* S&P Global Manufacturing Purchasing Managers' Index improved in July from 51.4 to 52.0 points – Services PMI rose much more than expected, from 49.4 to 51.6 points – At 51.9 points, the Composite PMI has returned to its pre-Iran war level.
- *Eurozone – Inflation:* According to the latest ECB survey, consumers' inflation expectations have declined more sharply than expected – one-year expectation fell from 3.5% to 3.0%, and three-year expectation dropped from 2.9% to 2.8%.

Consumers' inflation concerns have eased

- *Eurozone – Inflation:* Inflation expectations among financial market experts, according to the latest ECB survey (Survey of Professional Forecasters), remain largely unchanged from the previous survey in May – Expectations for the current year remain at 2.7%, with a slight increase from 2.1% to 2.2% for 2027 – long-term inflation expectations remain at 2.0%.
- *U.S. – Economy:* GDP growth slowed to 1.5% in the second quarter (Q/Q, annualized), down from 2.1% in the first quarter – private consumption grew significantly faster than in the previous quarter, and capital investment has maintained its recent high growth rates – while foreign trade and government consumption held back expansion.
- *U.S. – Economy:* Durable goods orders remained slightly below expectations in July, rising by 0.3% (M/M), following a decline of -4.0% in May – excluding volatile orders for the transportation sector, growth was moderate at 0.6%.
- *U.S. – Economy:* According to the Conference Board's July survey, consumer confidence has taken a hit, falling from 92.2 to 90.8 points – perceptions of the labor market have deteriorated once again, reaching their lowest level since February 2021.
- *U.S. – Labor Market:* Weekly ADP report shows that job growth slowed again during the four-week period ending July 11, averaging 15,000, down from 16,250 in the previous period – lowest figure since early March 2026.
- *EU Budget:* Chancellor Merz reiterates his call for a significant cut to the current spending plans for the next seven-year EU budget period – budget volume of 1.76 trillion EUR must be reduced by "several hundred billion EUR", he says – Merz is pushing for a budget agreement by the end of this year, citing elections in several major EU countries in 2027.

Merz calls for major cuts to EU budget plans

- *Europe – Wildfires:* The French and Spanish governments are planning comprehensive financial aid for the regions recently devastated by massive wildfires – Spain has declared the affected regions areas of emergency.

- *Germany – River Water Levels:* A persistent combination of drought and repeated heat waves is causing Rhine water levels to drop to near-record lows – creating an increasing bottleneck for the transport of coal and fuels – with the cost of shipping diesel at a record high, according to Bloomberg data.
- *Poland:* Largest opposition party, PiS, splits over a dispute regarding its political direction – more than 30 lawmakers from the reform-oriented wing led by former Prime Minister Morawietzki have left the party – Observers predict a weakening of the national-conservative PiS ahead of the 2027 parliamentary election.

Polish PiS party splits

- *AI:* More than 1,000 employees at leading AI development firms are calling for measures to slow the pace of progress in artificial intelligence – warning of a loss of control in light of a recent report about a cyberattack by an AI agent on another company – they appeal to the U.S. government to participate in international efforts to establish technical regulatory measures to control the pace of development.
- *AI:* Leading U.S. AI developers warn of a possible ban on the use of open-source AI models – the debate over a ban was sparked by a surprising breakthrough by the Chinese AI startup Moonshot – In contrast, U.S. AI companies are advocating for policy interventions that would slow down Chinese AI advances.
- *AI:* South Korean chip manufacturers have signed massive supply contracts and development agreements with their key customers and partners in the U.S., totaling 950 billion USD – agreements are primarily intended to ensure a continued supply of the most powerful memory chips for the production of AI accelerators and data centers – Meanwhile, observers are expressing concern about an increase in “circular transactions.”

Investments in AI are increasingly raising concerns

- *AI:* EU plans to provide up to 30 billion EUR in funding for the construction of “AI gigafactories” – 10 billion EUR is to be allocated from EU and national budgets, while private investors are expected to contribute 20 billion EUR – Consortia of companies can apply for funding through November.

Next Week's Data

TIME	COUNTRY		PERIOD	LBBW FORECAST	CONSENSUS FORECAST[1)]	LAST VALUE[2)]	IMPORTANCE
FRIDAY, 31.07.2026							
11:00	EMU	HICP, flash estimate (Y/Y) (prelim.)	Jul	2,7	2,9	2,8	***
11:00	EMU	HICP Core, flash estimate (Y/Y) (prelim.)	Jul	2,4	2,4	2,4	***
14:30	USA	Employment Cost Index (Q/Q, sa)	Q2	0,7	0,8	0,9	*
16:00	USA	Uni Michigan Consumer Confidence (final)	Jul	-	54,0	54,4	**
MONDAY, 03.08.2026							
03:45	CHN	RatingDog PMI Manufacturing	Jul	51,2	52,0	51,7	***
08:30	CH	CPI (Y/Y)	Jul	-	0,4	0,5	*
09:30	CH	PMI Manufacturing	Jul	55,4	54,1	54,3	*
09:55	GE	PMI Manufacturing (final)	Jul	52,2	-	52,2	*
10:00	EMU	PMI Manufacturing (final)	Jul	52,0	-	52,0	*
16:00	USA	Construction Spending (M/M)	Jun	-	0,2	0,1	*
16:00	USA	ISM Manufacturing	Jul	57,0	54,0	53,3	***
TUESDAY, 04.08.2026							
14:30	USA	Trade Balance (bn USD)	Jun	-73,0	-73,0	-77,6	**
16:00	USA	Factory Orders (M/M)	Jun	0,6	0,4	-1,3	*
WEDNESDAY, 05.08.2026							
09:55	GE	PMI Services (final)	Jul	49,6	-	49,6	*
09:55	GE	PMI Composite (final)	Jul	51,2	-	51,2	*
10:00	EMU	PMI Services (final)	Jul	51,6	-	51,6	*
10:00	EMU	PMI Composite (final)	Jul	51,9	-	51,9	*
11:00	EMU	PPI (Y/Y)	Jun	5,5	-	5,9	*
14:15	USA	ADP Employment Change (thous)	Jul	70	75	98	**
16:00	USA	ISM Services Index	Jul	55,5	54,3	54,0	***
THURSDAY, 06.08.2026							
08:00	GE	Factory Orders (M/M)	Jun	-1,0	1,0	1,9	**
09:00	CH	Unemployment Rate (sa)	Jul	3,1	3,1	3,1	*
11:00	EMU	Retail Sales (M/M)	Jun	0,0	0,1	0,2	*
14:30	USA	Nonfarm Productivity (prelim.)	Q2	0,2	0,7	0,3	**
14:30	USA	Unit Labor Cost (prelim.)	Q2	2,7	2,7	1,8	**
FRIDAY, 07.08.2026							
08:00	GE	Industrial Production (M/M)	Jun	-0,5	0,5	0,9	**
14:30	USA	Change in Nonfarm Payrolls (thous.)	Jul	140	88	57	***
14:30	USA	Unemployment Rate (sa)	Jul	4,2	4,2	4,2	***
14:30	USA	Average Hourly Earnings (M/M)	Jul	0,3	0,3	0,3	***
	CHN	Exports in USD (Y/Y)	Jul	28,6	23,7	27,0	**

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

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Rates

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EUR government bonds: Demand at Bund auction weak again

10-Year Bund auction: Investors' bids fall short of target

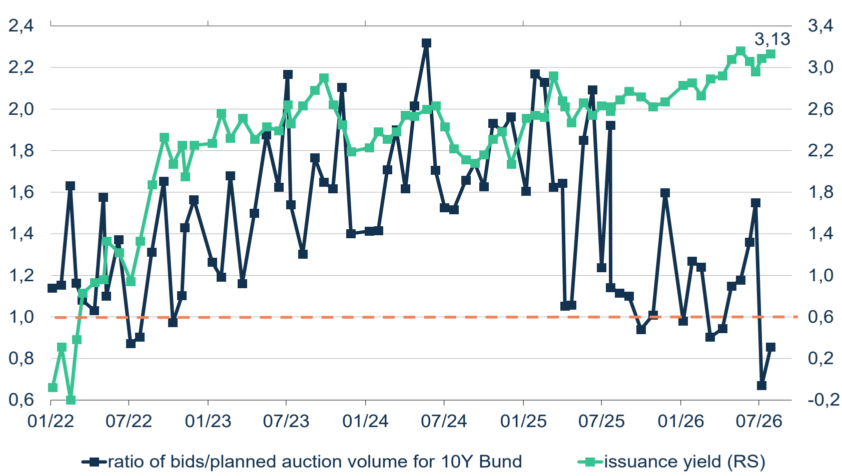
Primary market with no signs of a turn-around in sentiment

The sense of alarm in the euro-denominated government bond market has subsided for the time being this week, as investors are once again placing greater emphasis on the hope for a diplomatic solution to the U.S.-Iran conflict. The risk of a sell-off spiral has also diminished from a chartist perspective: The yield on 10-year German government bonds has not (yet) sustainably broken above the resistance level at the previous high reached in May of this year (3.20%). However, the latest signals from the primary market for German government bonds are dampening hopes for a broad bond-positive turnaround in sentiment. Last Wednesday, the Federal Finance Agency offered to increase the size of its 10-year benchmark bond for the first time since its initial placement on July 8. The volume of securities offered for sale was once again 6 billion EUR. Investors did seem somewhat more receptive than they had been during the initial placement. However, at just over 5.1 billion EUR, the bids once again fell short of the targeted placement volume, even though the issuance yield, at 3.13%, reached the second-highest level for this maturity of the past 15 years (see the chart below). This is already the fifth time this year that investor bids have failed to fully cover the planned auction volume for a 10-year benchmark issue.

Bid-to-cover ratio below one for the fifth time this year

Nominal shortfalls this year have become more the norm

Bid-to-cover ratio and yield to maturity for auctions of 10-Year German government bonds



Source: Bloomberg, LBBW Research

No cause to worry, but investors keep their restraint

Clearly, there is no real cause for concern that the Financial Agency will no longer be able to cover its steadily increasing financing needs. Through what is known as "market care", it regularly covers the shortfall from auctions on the secondary market. However, it must be noted that the recent rise in yields since the beginning of this month does not appear to have significantly improved the attractiveness of long-term German government bonds from an investor's perspective. We suspect that the unfavorable combination of persistently high geopolitical uncertainty and simmering debt concerns continues to fuel general restraint.

Slightly bullish positioning in the options market

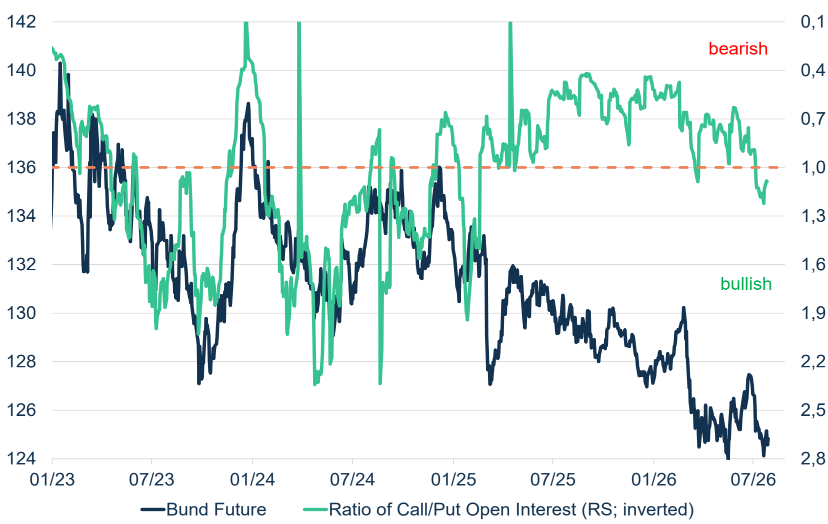
Meanwhile, investor positioning in the market for options on the Bund future is nourishing hopes that this week's modest price rebound will at least lay the groundwork for a bottom formation. As shown in the chart below, positioning has indicated a slight overweight in bets on rising prices for about three weeks. The call-to-put ratio last exceeded one over such a protracted period in February 2025. Consequently, the chances have increased that the bond market will emerge from the bearish underlying trend that has dominated it for some time. In our view, however, given that the positioning is only slightly above "neutral," it might be premature to regard this already as the starting point for a more comprehensive rally.

Calls have outnumbered puts since early July

Positioning fuels hopes of bottoming out

Has positioning in the options market shifted more sustainably toward the "bullish" side?

Bund Future and the Call-to-Put Ratio



Source: Bloomberg, LBBW Research

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EUR government bonds: Italy to benefit from negative net supply in August

Review: Cumulative gross issuance since the start of the year inches close to EUR 1 tn.

Gross supply: Increase of 10% compared to July 2025

Primary market activity in the eurozone countries has slowed noticeably at the start of the third quarter. In June, issuance activity in the capital market segment had reached its highest level since January, at 140 billion EUR. From here, supply fell by approximately 20% in July: According to our analysis, EUR government bonds totaling EUR 115 bn. from the eurozone (excluding Slovenia, Slovakia, Croatia, Bulgaria, Cyprus, Malta, Luxembourg, and the Baltic states) were issued in the current month. This was the lowest figure so far in 2026. Nevertheless, funding activity was approximately 10% above the level recorded in July 2025 (105 billion EUR), meaning that the month-over-month decline in activity likely reflects a significant seasonal factor. Bond issuance in Italy and Spain has roughly halved compared to June. This was the main driver behind the primary market trend in the eurozone. Furthermore, there were no new large-volume syndicated issuances in July. Meanwhile, the YTD cumulative gross issuance volume of the eurozone countries analyzed here reached 977 billion EUR as of the end of July, approaching the 1-trillion-euro mark. Compared to the previous year, this represents an increase of nearly 8%, meaning the primary market remains firmly on track to set a new all-time record.

Italy and Spain are slowing down

Issuance progress at the end of July: nearly 70%

Expected gross issuance volume in 2026 by country (in billion EUR, LBBW forecast)

Country	LBBW forecast volume of issuance in 2026	already issued (as of 30.07.2026)	issued in %	volume in 2025	change
France	**344**	235	68%	333	3%
Germany	**350**	224	64%	290	21%
Italy	**344**	246	72%	360	-4%
Spain	**168**	120	71%	163	3%
Portugal	**18**	15	81%	21	-13%
Austria	**47**	33	69%	45	4%
Greece	**9**	8	84%	8	15%
Belgium	**51**	39	76%	45	13%
Netherlands	**52**	35	68%	38	37%
Finland	**25**	14	58%	24	5%
Ireland	**10**	10	95%	8	21%
Sum	**1418**	**977**	**69%**	1334	**6%**

Source: Bloomberg, LBBW Research

Issuance forecast for 2026 at 1,418 billion EUR

The upward trend in primary market activity, when compared with the course of 2025, is therefore consistent with the existing pattern. We confirm our previous forecast, meaning we expect gross issuance by eurozone countries to total 1,418 billion EUR for the full year 2026 (+6 Y/Y). The most recent issuance trend, which was in line with our expectations, suggests that forecast risks are roughly balanced. However, upside risks to countries' funding needs resulting from the Iran war cannot be ruled out.

EMU: Nearly 70% of funding in the bag

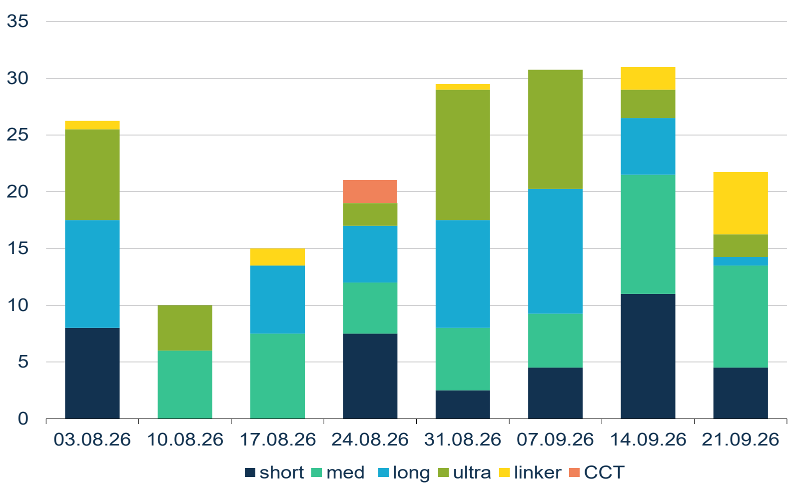
According to our estimates, Ireland remains in the lead in terms of progress toward its 2026 issuance targets. According to this, the Emerald Isle has already covered a good 90% of its funding needs and could complete its primary market offering as early as September. Greece and Portugal follow, with figures above 80%. For the EMU average, we estimate that issuance progress has reached 69% as of the end of July. This figure is slightly higher than the level at the same time last year. At the bottom of the rankings are Germany (64%) and Finland.

Outlook: “summer slump” to causes a dip in supply

In August, meanwhile, primary market activity is likely to slow down further, and to a much greater extent than in the previous month. In our view, the reason for this is the usual summer lull in government bond issuance, which typically results in August having the second-lowest level of supply over the course of the year. We expect that several countries will suspend primary market operations entirely next month, including the Netherlands, Greece, and Ireland. Among the remaining debt managers, some are offering only a significantly reduced volume of securities on the capital market. In this environment, new syndicated issuances are likely to remain very rare. For August, we see only Finland as a candidate; the Northern European country could issue a 5-year bond toward the end of the month. For the euro area as a whole, we expect the gross supply of EUR government bonds to range between 70 and 80 billion EUR (forecast: 76 billion EUR). This compares with 75 billion EUR in August 2025 and 76 billion EUR in August 2024.

New issue may come from Finland

Primary market activity shows a dip, particularly in mid-August
Expected weekly issuance volume of EUR government bonds, by maturity segment (in billion EUR)



Source: Bloomberg, LBBW Research

Weekly average to fall below 20 billion EUR

We think the “duration burden” on the bond market is likely to decline month-over-month in line with the gross issuance volume. We see the combined share of the 10-year and ultra-long segments in gross supply in August as remaining roughly constant at 46%. Looking at the issuer segments, we expect the share of peripheral countries to decline significantly once again, to just 23%, down from 35% in July. The reason for this is that, according to our forecast, Italy and Spain are each set to hold only one auction instead of the usual two. In contrast, Germany's share may jump to an annual high of nearly 40%.

Duration load set to decrease markedly

Germany: Gross issuance forecast to fall by 15% M/M

In July, Germany topped the league table in the euro government bond market with gross issuance of 34 billion EUR. The federal government is likely to expand this position in August, at which point the supply is expected to fall by only about 15% (M/M) to 29 billion EUR. The Finance Agency plans to issue a total of 27.5 billion EUR on the capital market in August, plus the additional issuance of one or more green bonds (Aug. 5). Only taps are planned. The following securities are being offered: Schatzanweisung 09/28 (6 billion EUR on August 4, plus 5 billion EUR on August 25), the OBL 10/31 (5.5 billion EUR on August 11), and the 10-year Bund 08/36 (6 billion EUR on August 19). In addition, there will be dual issuances in the 30-year maturity segment (2.5 billion EUR on August 12) and in the 15/20-year maturity segment (2 billion EUR on August 26). With regard to the 30-year segment, the placement of a new Bund through a banking syndicate is also a possibility.

Germany: Taps only?

Italy and Spain with a significantly reduced supply

We expect capital market funding from France to total approximately 21 billion EUR in August, about one-third less than in July (33 billion EUR). On August 6, the Trésor is expected to tap the 10-year OAT 11/36 bonds and two other (ultra-)long-term bonds (volume: 11 to 12 billion EUR). For August 20, we expect a reduced supply in the short- to medium-term segment of between 8 and 10 billion EUR. In our view, Italy is likely to float a gross issuance volume of only 11 to 13 billion EUR during the height of summer, down from 22 billion EUR the previous month. In keeping with the practice of previous years, Tesoro could cancel the auction scheduled for August 13. The end-of-month auctions (Aug. 26 and 28) are also set to proceed without the issuance of inflation-indexed securities. We believe the Tesoro might issue a new 10-year BTP, supplemented by taps of a 5-year BTP, a Short BTP, and a floating-rate bond.

Italy: New 10-year BTP possible

With regard to Spain, we expect that the country's debt managers will hold only the first of the two scheduled auctions (August 6 and August 20) in August. The agenda will likely include the tap of three to four existing bonds across the entire maturity spectrum, totaling between 4.5 and 5.5 billion EUR, including an inflation-indexed bond.

Spain may schedule only one auction

Highest net issuance from France

Details of the expected government bond supply in August (in billion EUR)

August 2026 - estimated								
	short	med	long	ultra	linker	Total	ret.	net
France		7,5	5,5	7,0	1,5	21,5		21,5
Germany	11,0	6,0	7,5	4,5		29,0	39,2	-10,2
Italy	2,5	5,5	4,0			12,0	37,2	-25,2
Spain	2,0		2,5		0,8	5,3		5,3
Portugal								
Austria				1,0		1,0		1,0
Greece								
Belgium		1,0	1,0			2,0	0,1	1,9
Netherlands								
Finland		4,0		1,5		5,5		5,5
Ireland								
Total	15,5	24,0	20,5	14,0	2,3	76,3	76,5	-0,3
in %	20%	31%	27%	18%	3%			

Source: Bloomberg, LBBW Research

Portugal could pause bond issuance next month, as could the Netherlands, Ireland, and Greece. Belgium is planning an auction for August 24, during which two to three existing OLOs may be made available for tapping (total volume of 2 to 2.5 billion EUR). We expect Austria to conduct a top-up of two existing government bonds on August 4, with a total volume of up to 1 billion EUR, while Finland is likely to conduct a top-up of two bonds on August 11 (1 to 1.5 billion EUR).

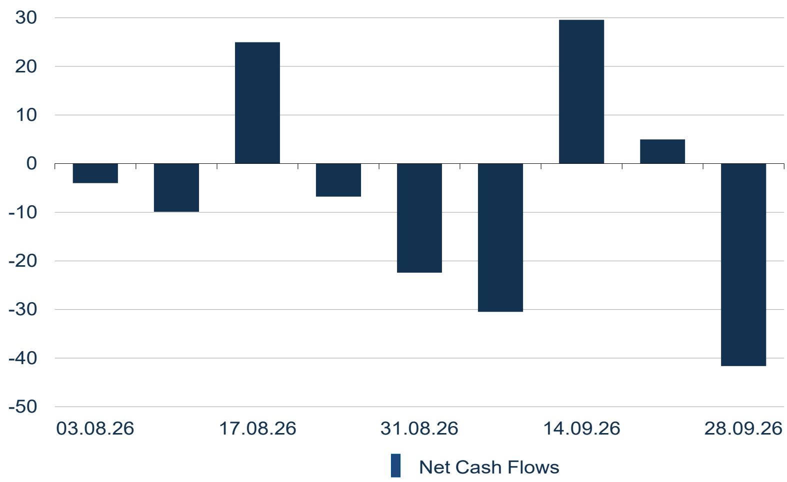
Several countries are taking a break in August

Net issuance: Lowest level since April

If our forecast proves correct as to which the primary market will be dominated by its usual summer lull in August, this will play right into the hands of bond bulls. On a net basis, the supply situation is shifting toward a bond-positive constellation for the second month in a row. Net issuance may come in just shy of the double-digit billion range, making it as low as last seen in April. The reason for this is that the reflows available for reinvestment will decline at a slower rate than the gross supply: The gross issuance of 76 billion EUR that we forecast will be offset by inflows of the same amount next month. Of this amount, EUR 62 billion is attributable to maturities. Net issuance is therefore set to amount to just under 15 billion EUR, whereas in July (40 billion EUR) it was nearly three times as high. Net cash flows (reflows minus issuances) will remain just below zero for much of the coming month, while they may swing significantly upward around the middle of the month – that is supporting bond prices. Meanwhile, in September, the pendulum likely swings back toward a significant supply overhang (see the chart below). Another downside remains the continued dampener on demand resulting from the ECB's "quantitative tightening." According to our estimates, this figure for the euro government bond market in August amounts to EUR 15 bn., after approximately EUR 30bn. in July. This creates a constant, bond-negative "background noise".

Reflows to be only slightly lower than in July

Net cash flows tipping to the negative side again in September
Expected Net Cash Flows (Cash Inflows Minus Issuance) per Week (in billion EUR)



Source: Bloomberg, LBBW Research

Positive net cash flows mid-month

The maturities in August will be distributed between Germany (32.5 billion EUR on August 15) and Italy (16.6 billion EUR on August 1, plus 13.2 billion EUR on August 28). As a result, net supply on the German and, above all, the Italian government bond markets will be in negative territory, which is likely to provide support for prices there for the time being. French government bond prices, on the other hand, are being weighed down by a large supply overhang.

Maturities in August from Germany and Italy

03 I

Credit Strategy

Composure Put to the Test

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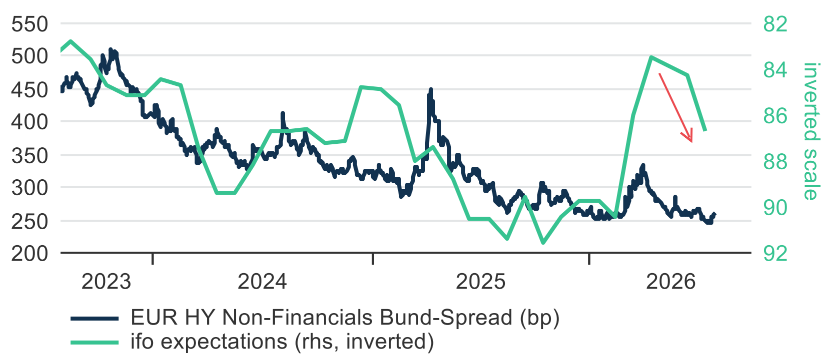
Fundamentals Continue to Support Credit Markets

Economic outlook improving

Geopolitical tensions, rising energy prices, and mixed signals from monetary policy have recently created a very challenging market environment. Nevertheless, European credit markets proved remarkably resilient. However, this stability is no coincidence. Economic expectations have continued to improve, with Germany's ifo expectations component pointing to growing confidence among businesses. As a result, the outlook for economic activity has become somewhat more constructive, even if the recovery is likely to remain gradual. Against this backdrop, credit spreads have continued to find fundamental support.

Fundamental support

Hopes for an Economic Recovery Support Credit Markets
ifo Expectations vs. EUR HY Spreads



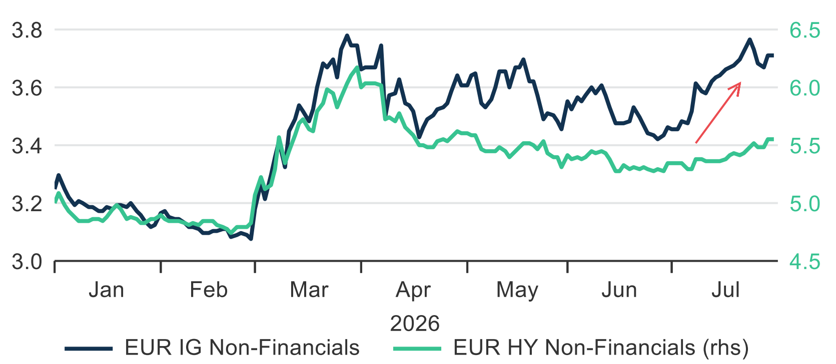
Source: LSEG, LBBW Research

Demand remains high

At the same time, corporate bond investors continue to benefit from attractive carry. Following the recent rise in government bond yields, both investment-grade and high-yield corporate bonds still offer compelling yield levels. As long as the macroeconomic environment does not deteriorate materially, this should continue to underpin demand for credit.

Attractive yields

Yields Remain at Elevated Levels
EUR Investment-Grade vs. EUR High-Yield Yields (Yield-to-Worst in %)



Source: LSEG, LBBW Research

Energy Risks Remain on the Radar

Risks remain

That said, risks have by no means disappeared. Recent developments have once again highlighted how quickly geopolitical tensions can spill over into energy markets. While the sharp increase in oil prices following the escalation in the Middle East did lead to some widening in credit spreads, the overall market reaction remained relatively contained. Investors appear to view these developments primarily as temporary geopolitical shocks.

Limited spread reaction to oil prices

Rising Oil Prices Weigh on Credit Markets
iTraxx Crossover vs. Oil Price (Brent)

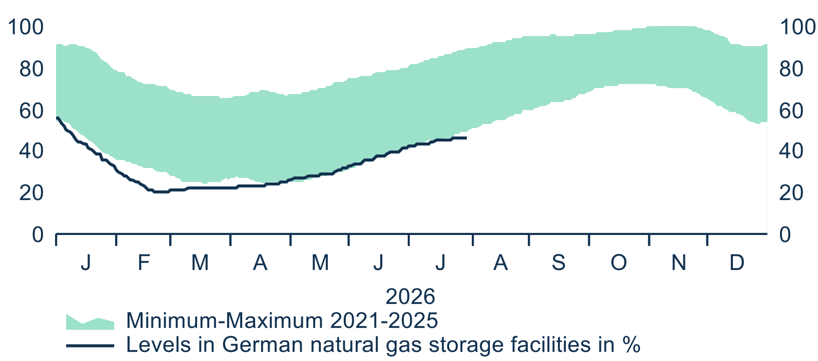
Source: LSEG, LBBW Research

Natural gas market deserves attention, too

A look at the natural gas market, however, makes it clear that the risks extend beyond the price of oil. German natural gas storage facilities are at relatively low levels for this time of year and are significantly below the levels of previous years. At the same time, natural gas prices have risen noticeably since the end of June. If storage facilities fill up more slowly than usual or if geopolitical tensions continue to disrupt the energy supply, the risks to inflation and growth could rise again this winter.

Low natural gas levels

Gas storage levels are too low for this time of year
Level in the current year compared to the 2021–25 range



Source: LSEG, LBBW Research

Improved Fundamentals, but Risks Remain

Defense remains key

The fundamentals currently point to stable credit markets. Improved economic outlook, solid corporate balance sheets, and attractive yields are creating a supportive environment. At the same time, the potential for a further significant narrowing of risk premiums appears limited. In light of ongoing geopolitical and energy-related uncertainties, we continue to recommend overweighting the less volatile investment-grade segment.

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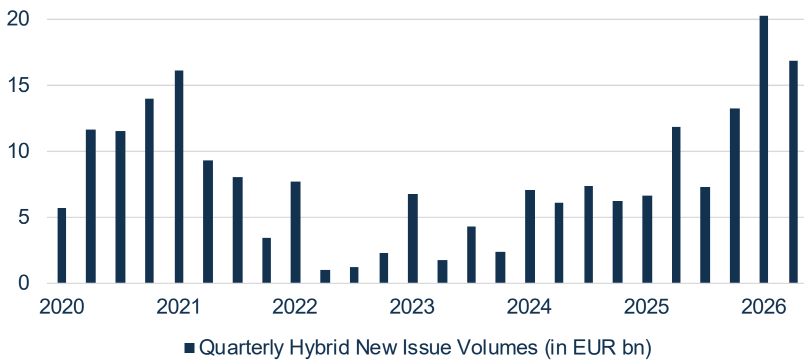
Record Half-Year for New Corporate Hybrid Bonds

The trend toward new issuances of subordinated EUR hybrid bonds has continued: Q1/2026, the best quarter on record, was followed by Q2/2026, the second-best quarter to date.

Record volume in Q1 2026

New Hybrid Issuances by Quarter
EUR Corporate Hybrids, Volume in billion EUR



Source: Bloomberg, LBBW Research

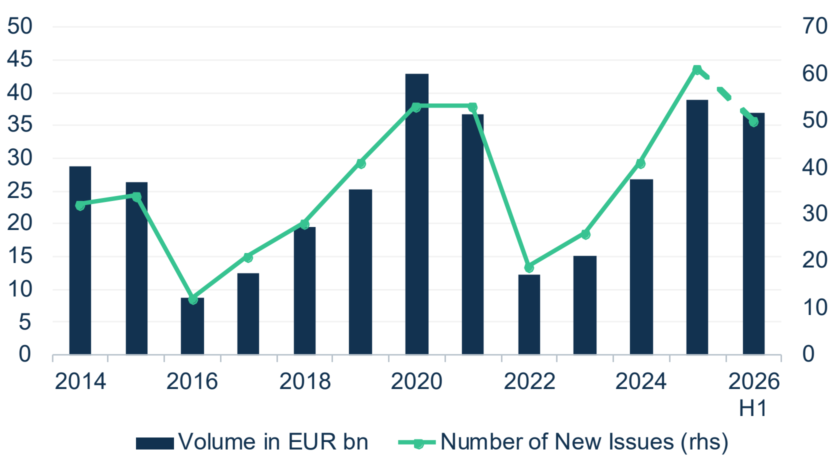
H1/2026: +100%

As a result, companies issued a record half-year volume of new hybrid bonds totaling 37 billion EUR in the first half of 2026—a full doubling compared to the same period last year!

In H1/2026, the volume of new issuances actually nearly matched the full-year volume for 2025, which, at EUR 39 billion, was the second-best year on record (after 2020, with approximately EUR 43 billion).

Volume in H1 reaches almost FY 2025

Volume of New Issuances of EUR Corporate Hybrids
Annual Volume (in billion EUR) and Number



Source: Bloomberg, LBBW Research

Hybrid quota: 11%

The share of subordinated hybrid bonds in the total volume of new issuances reached a record high of 11.2% in H1/2026. For comparison: The highest rate recorded for a full year to date was 8.9% (in 2014). In 2025, it was 7.2%.

Stellantis issued EUR 4bn

One of the factors contributing to this was the French Stellantis Group, which pulled off by far the largest hybrid transaction since the beginning of the year: In March, the automotive group issued two hybrid bonds totaling 4.0 billion EUR (2.2 billion EUR with 5-year term until the first call date and 1.8 billion EUR with 8-year term until the call date).

Other major transactions in 2026 with a volume of more than 1 billion EUR were carried out by Carlsberg, Engie, Enel, SSE, Telefónica, Total, and the U.S. companies General Mills, Verizon, and NextEra. With this, U.S. companies continued their presence in the EUR hybrid bond market, which had really taken off in Q4 2025 (previously, there had been a total of only 3 hybrid bonds issued by U.S. corporations between 2019 and 2021).

U.S. corporations also active

In addition to the German Vossloh AG, which is not rated, the German utilities Amprion and EnBW were also active. Each of both utilities issued 2 Green Hybrids (volume of 500 million EUR each), attracting a great deal of interest: For the new bond issuances by EnBW and Amprion, investors subscribed for 7 to 10 times the issued volume.

EnBW and Amprion highly oversubscribed

ESG: A total of 16 of the 50 new hybrid issues were issued as green bonds. In terms of volume, the ESG share was high at 25%.

By sector, utilities dominated, placing by far the highest volume of hybrid bonds at 12.9 billion EUR. Next came telecommunications companies (5.5 billion EUR), followed by oil and gas companies and automakers (4.0 billion EUR each).

Hybrid Bonds: Attractive to companies and investors

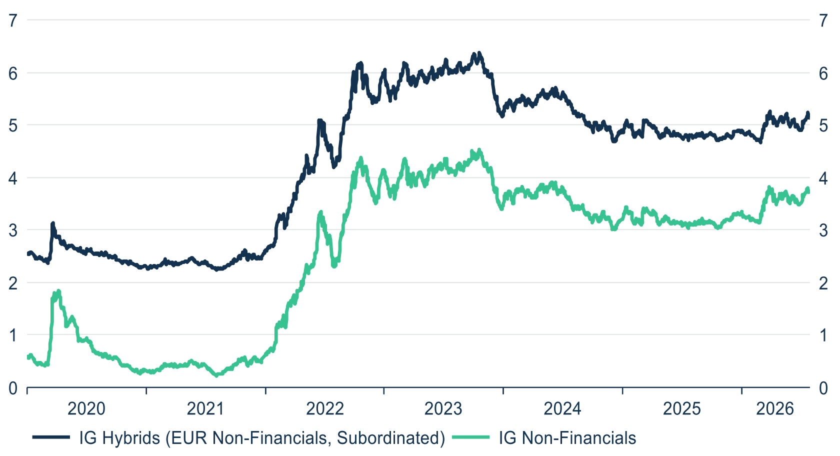
One of the main benefits for companies is that subordinated hybrid bonds are counted as equity (usually at a rate of 50%).

Investors receive risk premiums for the subordinated status as well as for other structural disadvantages (e.g., possible suspension of coupon payments or an extension of the term beyond the 1st call date. Accordingly, the rating of hybrid bonds is usually two notches below the company's rating.

Higher returns for structural disadvantages

Yield on Subordinated Investment-Grade Hybrid Bonds Compared to the Investment-Grade Index
EUR Corporate Bonds, Yields in % (as of 1. Call Date)

Attractive return levels for IG hybrids



Source: LSEG, LBBW Research

In particular, we believe that hybrid bonds with an investment-grade rating continue to offer an attractive risk-reward ratio, as they are issued by issuers with strong creditworthiness. Due to the rise in German government bond yields in the wake of the war in Iran, yields on hybrid bonds have also increased (the index yield is currently above 5%).

Consequently, the favorable performance outlook for investors led to strong demand and high subscription rates for the new hybrid issues: On average, investors subscribed to 4.6 times the volume that was ultimately placed during the first half of 2026. Following a record first half of the year, we expect a new record volume of new hybrid issuances for the full year 2026 as well.

Record volume for 2026 in sight

04 I
Calendar/Analytics

Developed Markets Overview

	2 Years			10 Years		
Euro Area	**Yields**	**Spread**	**Change***	**Yields**	**Spread**	**Change***
Bund	2,76			3,16		
Jumbo	3,02	26	2	3,54	39	0
Swap	2,97	20	-1	3,17	2	-2
Netherlands	2,75	-2	0	3,25	9	-1
Austria	2,81	4	3	3,38	23	1
France	2,93	17	0	3,94	79	-1
Belgium	2,81	4	1	3,69	54	-2
Italy	2,95	18	-1	3,96	81	-2
Spain	2,80	4	0	3,60	45	-1
Ireland	n.a.	n.a.	n.a.	3,32	16	-1
Portugal	2,75	-2	0	3,50	34	-1
Greece	n.a.	n.a.	n.a.	3,86	71	-2
EX. EURO AREA	**Yields**	**Spread**	**Change***	**Yields**	**Spread**	**Change***
USA	4,23	146	-4	4,64	149	-2
Canada	2,85	9	1	3,59	44	0
Japan	1,50	-127	4	2,81	-35	1
UK	4,33	157	-1	4,98	183	-3
Switzerland	0,16	-261	-1	0,44	-272	-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
04.08.2026	Japan	JGB	10Y		JPY 2.6 tn.	
04.08.2026	Germany	Schatz	09/28	2.70%	€ 6 bn.	Tap
04.08.2026	Austria	RAGB			€ 1 bn.	Tap
04.08.2026	UK	UKT	6Y		GBP 4.5 bn.	New
05.08.2026	Germany	Green Bund			€ 1.5 bn.	Tap
06.08.2026	Japan	JGB	30Y		JPY 700 bn.	
06.08.2026	France	OAT	7Y - 30Y		€ 10 bn.	Tap
06.08.2026	Spain	SPGB	3Y - 30Y		€ 4.5 bn.	Tap
06.08.2026	Spain	SPGB€i			€ 0.5 bn.	Tap

Aug. 5, USA: Treasuy to publish quarterly refunding statement (Aug. to Oct.), incl. issuance volumes for coupon auctions (widely expected to remain unchanged Q/Q)

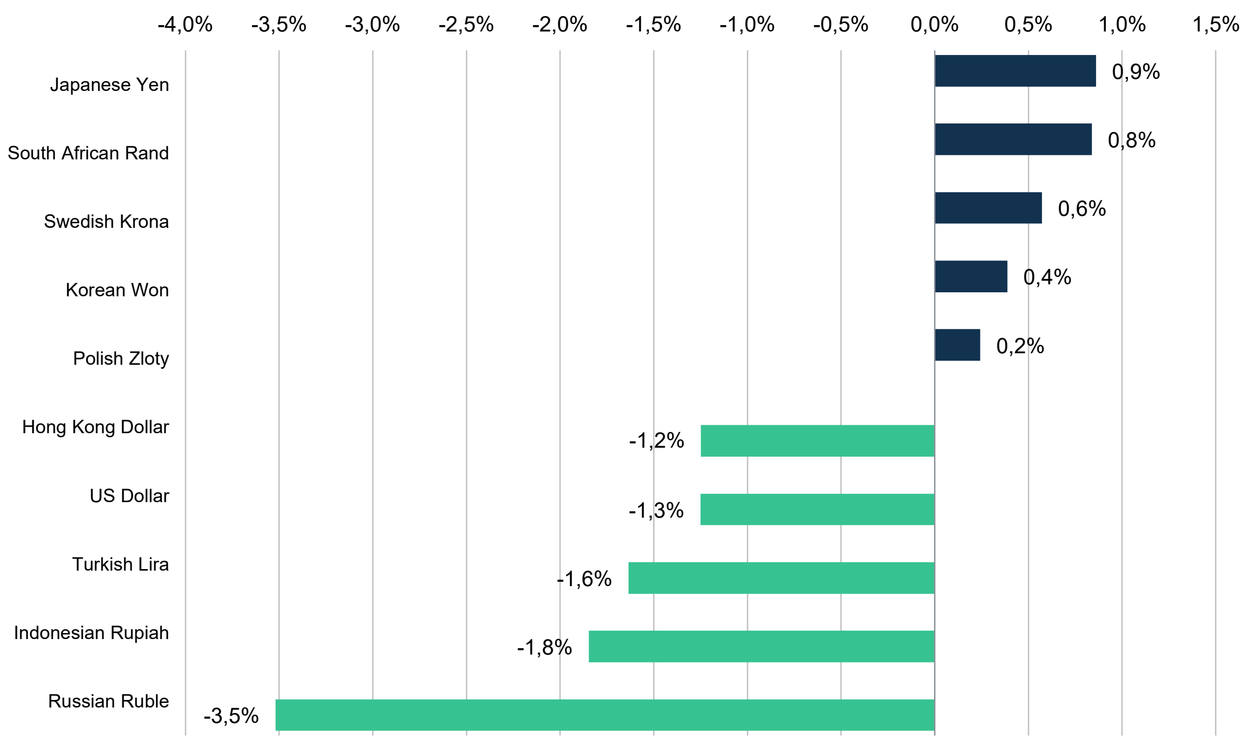
Sources: Bloomberg, LBBW Research

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	10.09.26	2,25%	11.06.26	2,00%	2,8%	↗			
United States	16.09.26	3,75%	10.12.25	4,00%	3,5%	↗	2,3%	1,1514	1,1600
United Kingdom	17.09.26	3,75%	18.12.25	4,00%	2,6%	↘	0,8%	0,8559	0,8623
Japan	31.07.26	1,00%	16.06.26	0,75%	1,7%	↘	-0,6%	184,69	183,30
China	***	2,00%	25.09.24	2,30%	1,0%	·	5,3%	7,77	7,72
Switzerland	24.09.26	0,00%	19.06.25	0,25%	0,5%	↗	-1,0%	0,9290	0,9167
Argentina	***	29,00%	31.01.25	32,00%	32,6%	↘	0,0%	1.716,72	1.932,42
Australia	11.08.26	4,35%	05.05.26	4,10%	3,2%	↗	3,7%	1,64	1,65
Brazil	05.08.26	14,25%	17.06.26	14,50%	4,6%	·	7,0%	5,83	6,11
Canada	02.09.26	2,25%	29.10.25	2,50%	2,8%	↗	-0,1%	1,61	1,61
Czech Republic	06.08.26	3,75%	18.06.26	3,50%	1,5%	↘	0,4%	24,23	24,34
Denmark	***	2,00%	12.06.26	1,75%	1,9%	·	-0,1%	7,48	7,46
Hong Kong	***	4,00%	08.11.24	4,25%	2,0%	↗	2,0%	9,03	9,05
Hungary	25.08.26	5,75%	21.07.26	6,00%	1,7%	↓	5,2%	362,25	367,01
India	05.08.26	5,25%	06.02.25	5,50%	4,4%	↑	-1,1%	109,80	112,55
Indonesia	19.08.26	5,75%	18.06.26	5,50%	3,3%	↗	-4,3%	20.807,02	21.307,31
Mexico	06.08.26	6,50%	07.05.26	6,75%	3,4%	↘	2,8%	19,95	20,40
New Zealand	02.09.26	2,50%	08.07.26	2,25%	4,1%	↑	0,2%	1,96	1,97
Norway	13.08.26	4,25%	07.05.26	4,00%	2,7%	↘	4,0%	11,00	11,11
Poland	09.09.26	3,75%	04.03.26	4,00%	2,5%	·	-2,0%	4,31	4,34
Romania	10.08.26	6,50%	07.08.24	6,75%	10,4%	·	-2,9%	5,25	5,34
Russia	11.09.26	14,00%	19.06.26	14,50%	6,0%	·	-1,7%	91,79	97,90
Singapore	***	1,55%	n.a.	1,94%	1,9%	↗	1,5%	1,48	1,47
South Africa	23.09.26	7,00%	28.05.26	6,75%	5,0%	↑	-0,1%	18,98	19,40
South Korea	27.08.26	2,75%	16.07.26	2,50%	3,2%	↑	3,7%	1.652,21	1.658,26
Sweden	20.08.26	1,75%	23.09.25	2,00%	0,7%	↗	-3,8%	10,99	10,96
Turkey	10.09.26	37,00%	22.01.26	38,00%	32,1%	·	-6,3%	54,74	64,30

Sources: Bloomberg, LBBW Research

The Strongest Currency Appreciations and Depreciations Against the Euro This Week

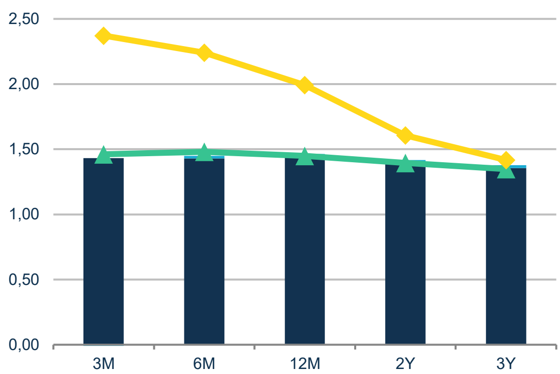


Sources: Bloomberg, LBBW, Research

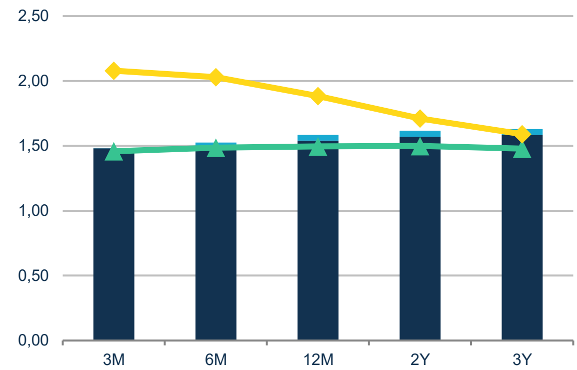
Interest rate differential and FX insurance costs vs. the Euro for selected currencies

interest rate differential, basis swap rates and insurance costs

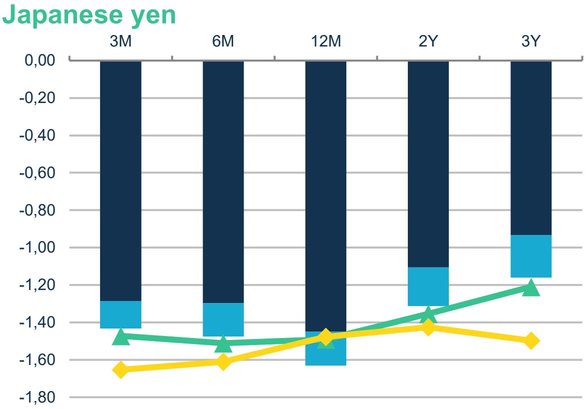
US dollar



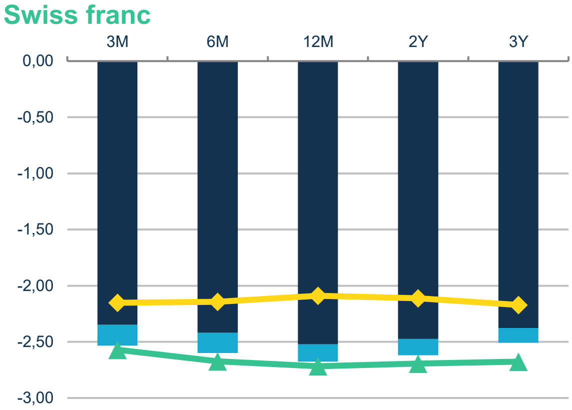
British pound



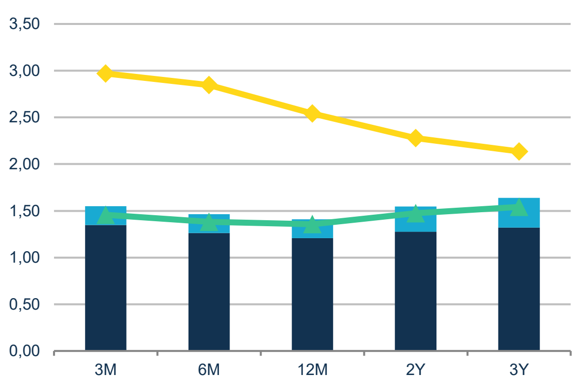
Japanese yen



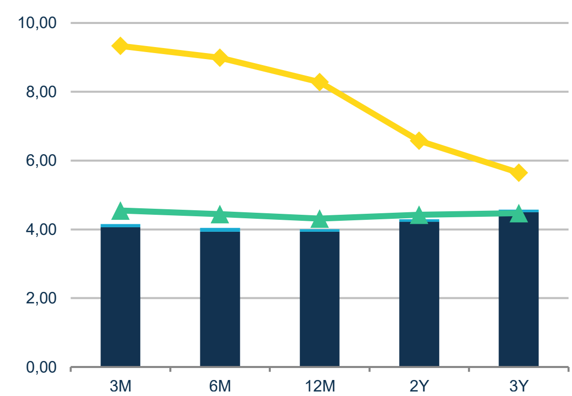
Swiss franc



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

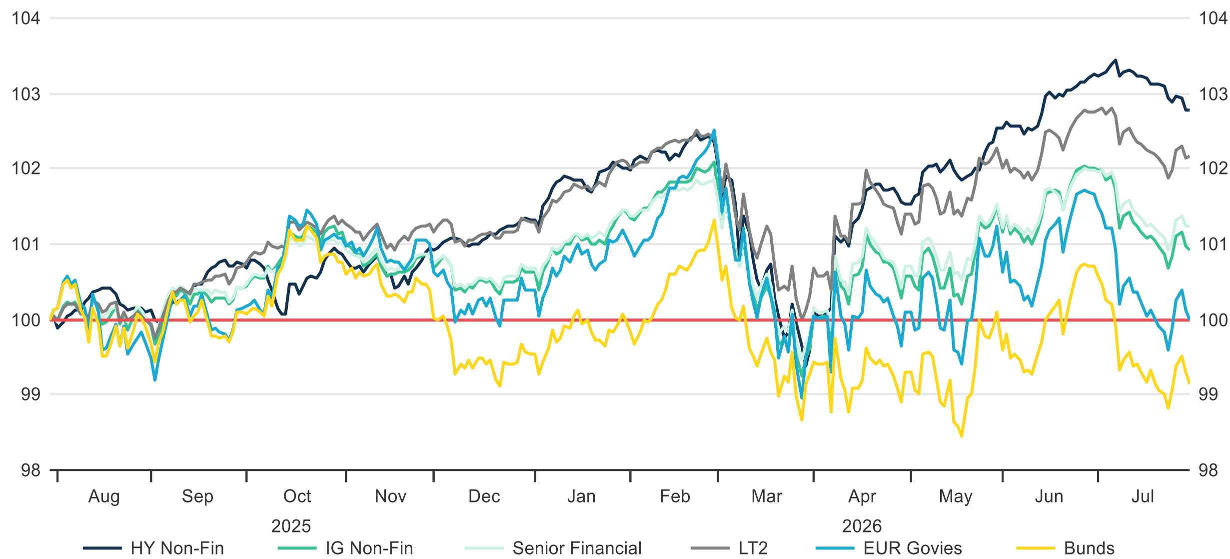
5Y CDS Spreads	Current	Changes 1W	1M	3M	6M	1Y
IG Corporates	54	-1	3	-4	2	0
HY & NR Corporates	262	-3	17	-23	14	-7
Senior Financials	56	-1	2	-5	2	-2
Sub Financials	89	-2	0	-10	-2	-12

EUR Indices	Current	Changes 1W	1M	3M	6M	1Y
Non-Financials	76	2	-2	-2	5	-2
Banks Senior Preferred	51	0	-4	-6	-2	-7
Banks Senior Bail-in	71	0	-4	-6	2	-4
Banks Subordinated	105	1	-4	-9	3	-15

*time lag of one day, Asset Swap Spreads 31.07.2026

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 periphery	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

05 | Disclaimer

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