

ECB Bond Market Contact Group

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Short term: sharp rate cut expectations leave yields vulnerable to a reversal

Medium term: receding inflation should underpin bonds while (healthy) inverse equity-bonds correlation is back











Real and nominal rates

French fiscal challenge







Safe-haven status of core government bonds challenged?

Credit markets a decent alternative as default rates recede











Discussion points

- Markets vs. rate cuts expectations: are markets overpricing the speed and extent of rate cuts by the Fed and ECB?
- **Markets vs. US elections**: what will be the reaction to the possible different outcomes (not only Trump vs Harris but also Blue sweep/Red sweep scenarios)?
- **Bonds vs. swaps**: is the rising discount of **government bonds vs. SOFR/ESTR** reflecting rising fiscal worries? Are there second-round effects of this cheapening that we should be aware of?



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