

Multi-Asset Strategy Daily

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USD



The calm before the storm. The start of the week has been quiet, with investors likely squaring up positions ahead of near-term event risk (FOMC meeting, Trump-Putin call, option expiries, April tariffs around the corner). USD rates generally followed EUR rates higher, while the front-end continued to underperform. US retail sales were mixed – the headline was lower than consensus (0.2%MoM vs 0.6% cons.) and the January numbers were revised lower, but the control group measure was stronger (1.0% vs 0.4% cons.), prompting a small upward revision to the Q1's GDP. **Today's highlights are the industrial production data and headline risk surrounding the conversation between Trump and Putin.** We remain attentive to risk sentiment, which will likely continue to be in the driver's seat. Outright UST yields are trading in a tight range, with 10s contained within 4.20-4.35%. Supply-wise, \$13bn of 20Y USTs are on offer today.

EUR



The first round of voting of the CDU/CSU+SPD+Greens agreement in the Bundestag is scheduled for today (the session is scheduled to run from 9am to 12:30pm UK time – with the vote likely taking place towards the end). Despite the noise around the agreement facing some resistance (which likely fuelled the short-covering seen in long-end German rates on Monday), we expect it to pass. Whether that may be enough to see renewed selling in outright is still to be seen. There are different narratives playing out (tariffs, potential Ukraine peace, US risk sentiment) that could offset the bearishness. **Within EUR rates, today's highlights are the ZEW survey and comments from the ECB's Rehn, Escriva and Villeroy.**

EGB spread tightening was another highlight of Monday's session. The combination of duration better bid (which can trigger buying from investors looking for higher carry positions like BTPs or OATs), stable risk sentiment and the relief sigh around Fitch's review of France provided a supportive backdrop. We still remain pessimistic on France, but recent flows suggest that – at least for now – it is not a concern for markets.

GBP



GBP rates followed EUR rates higher, except in the front-end and belly, where the combination of no developments and supply (£4.25bn of Gilt Mar28 on offer today) likely took a toll. It took some time for Gilts to jump onto the rally as well which, to us, reflects the lack of GBP-centric catalysts behind the bid. Chancellor Reeves continued to defend her fiscal rules and pledged to reduce UK borrowing, which likely supported the bid in the long end. With no new releases on sight until Thursday, the narrative remains the same: follow the pack.

JPY



Risk on tone in Asian equities in an otherwise quiet session. USD/JPY rose as a result, trading above 149.75 at the time of writing. JGB yield moves were contained ahead of tomorrow's BoJ meeting outcome, with the curve twist-flattening. Despite wage negotiations showing promising results, we suspect that uncertainty (both from internal and foreign policy) will make the BoJ wary of sounding too hawkish. Bearish pressure in front-end JPY rates has subsided lately and it could go a bit further if the BoJ embraces a dovish tone and sticks to their usual gradual pace (25bp hike every 6 months) – i.e., decreasing the chance of a May/June hike (OIS markets are pricing around 12bp of hikes for June).

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