



North America  
United States

Rates

## US Fixed Income Weekly

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1 August 2025

### Strategy Update

*This publication is a compilation of key research reports published over the past week.*

[Matthew Raskin](#)

Strategist  
+1-212-250-1741

[Steven Zeng, CFA](#)

Strategist  
+1-212-250-9373



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# Fixed Income Blogs

## Tariffs and inflation: a bottom-up approach

This note discusses a framework for estimating changes to the average US import tariff rate and the implications for US CPI. Our analysis employs a bottom-up approach, based on detailed trade data and tariff mapping to CPI categories. Incorporating the trade policies announced to date, we estimate the average tariff rate to increase by ~14pp in the coming weeks. This would imply an estimated ~0.9pp first-round impact on CPI.

### Tracking the average tariff rate

We estimate the overall effective tariff rate as a weighted average of data for the main trading partners and product groups by using detailed HTS item codes, as defined in US administration documents of the various trade policies announced since the start of the year. These include sector and country specific tariffs, the '*reciprocal*' tariff as well as various item exemptions. The different products are categorized into macro sectors (e.g., critical minerals, pharmaceuticals, energy, etc.), separately for the top 15 exporting countries. Import shares for each sector/country are calculated based on 2024 trade data<sup>1</sup> and tariff rates are based on the various trade policies.<sup>2</sup> We assume that the US administration follows through with plans to raise tariffs on pharmaceuticals and semi-conductors (assuming tariff rates of 15%), and set 'no-deal' reciprocal tariffs at 15% for now, the lower bound of the recently announced country agreements. [Figure 1](#) summarises the results.

In cases where tariffs apply only to a portion of a specific HTS code, we make the following assumptions:

- Autos, HTS code 8471 (Automatic data-processing machines, magnetic readers, etc.): Given the significance of this item (~4% of total US imports in 2024) and the fact that it should be subject to auto tariffs only to the extent that it is part of passenger vehicles or light trucks, we assume that only 20% of the import value is subject to these tariffs.<sup>3</sup> Recent custom duties data from May-25 suggest that this percentage may be even lower ([Figure 10](#))
- Steel and Aluminum derivative products: We assume that 70% and 50% of the content, respectively, is subject to applicable tariffs (i.e. representing the steel/aluminum content of these products). These assumptions are consistent with most recent May customs data ([Figure 10](#))
- Mexico/Canada USMCA: We assume that 30% and 15% of products imported from Mexico and Canada, respectively, are not compliant with the USMCA and are therefore subject to applicable tariffs<sup>4</sup>. While these percentages were higher in 2024, the relative ease with which products can be made USMCA compliant suggests that [many producers have plausibly already taken steps to achieve compliance](#). This is broadly consistent with observed custom duty data ([Figure 11](#))

<sup>1</sup> We assume the *de minimis* share of imports is ~2% based on [academic literature](#), with a 50% share for China

<sup>2</sup> Based on the recent [EU trade announcements](#), we incorporate a 15% rate on auto and parts (i.e. a 12.5pp increase from the 2.5% MFN previously applied) as well as on 'reciprocal' products; we also include aircraft and parts exemptions, while steel/aluminium remain at 50% for now

<sup>3</sup> The 8471 category is exempt from the reciprocal tariffs

<sup>4</sup> The USMCA exemption does not apply to steel/aluminium

### **Markus Heider**

*Macro Strategist*

+44-20-754-52167

[markus.heider@db.com](mailto:markus.heider@db.com)

### **Gabriele Cozzi**

*Strategist*

+44-20-754-17714

[gabriele.cozzi@db.com](mailto:gabriele.cozzi@db.com)

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As [Figure 10](#) and [Figure 11](#) in the Appendix show, the resulting tariff rate estimates by product category and country broadly align with actual custom duty figures<sup>5</sup>.

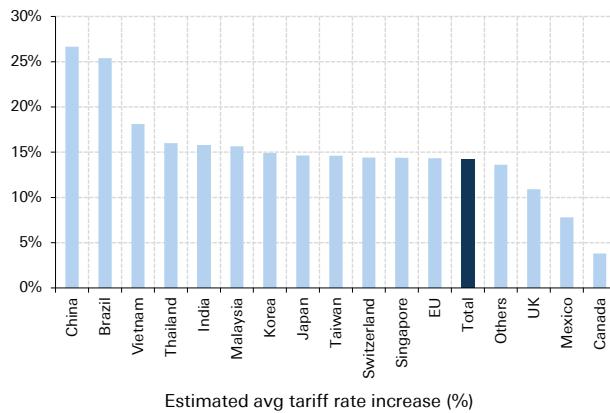
Incorporating the trade policies announced to date, [Figure 2](#) and [Figure 3](#) summarise the estimated average tariff rate increases, disaggregated by country and sector; the calculations suggest an approximate 14pp increase in the average US tariff rate. Given our cautious assumptions about not yet officially announced reciprocal and sector tariff rates detailed above, the risks may be on the upside of this number.

**Figure 1: Tariff rates by sector/countries**

	Tariff rate (Items/Countries)															
	EU	Mexico	China	Canada	Japan	Vietnam	Korea	Taiwan	India	UK	Switzerland	Thailand	Malaysia	Singapore	Brazil	Others
Auto and parts																
* Auto and parts	12.5%	25.0%	25.0%	25.0%	12.5%	25.0%	12.5%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
* 8471	12.5%	25.0%	25.0%	25.0%	12.5%	25.0%	12.5%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	
Steel																
* Steel products	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	
* Steel derivatives	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	
Aluminum																
* Alum products	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	
* Alum derivatives	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	
Critical minerals																
Chemicals	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Copper	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Energy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pharma	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Semis	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Lumber	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Others	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
De minimis	15.0%	25.0%	54.0%	25.0%	15.0%	20.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Reciprocal / IEEPA	15.0%	25.0%	30.0%	25.0%	15.0%	20.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%

Source : Deutsche Bank, Haver Analytics

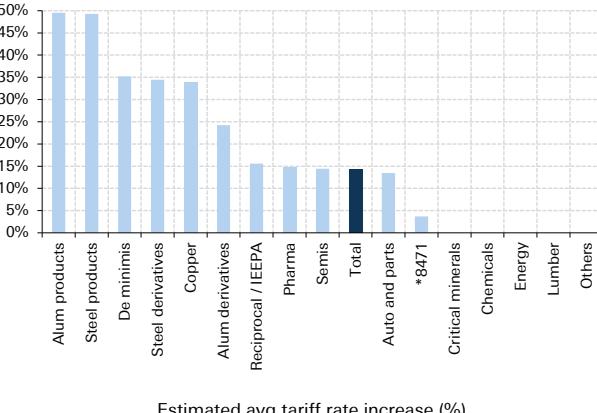
**Figure 2: Estimated average tariff rate increase across countries**



Estimated avg tariff rate increase (%)

Source : Deutsche Bank, Haver Analytics, Census Bureau

**Figure 3: Estimated average tariff rate increase across sectors**



Estimated avg tariff rate increase (%)

Source : Deutsche Bank, Haver Analytics, Census Bureau

5 Given custom data is available only through May, the charts only consider trade policies that had been implemented by May. Some differences should be expected given that: (1) Import share calculations are based on 2024 trade data, which may deviate from actual values (anticipated front-loading could downwardly bias actual duties collected); (2) Timing discrepancies related to shipping schedules could contribute to observed differences

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## Estimating the first-round inflation effects of tariffs

We focus here on the potential first-round effects of tariffs on inflation, which we define as the sum of (1) the direct impact on prices of imported consumer goods, (2) the indirect impact on consumer prices from higher prices of imported intermediate goods and (3) the indirect effect resulting from domestic price setters' reaction to an improved competitive backdrop.

To assess the potential inflationary effects via these different channels, we leverage research conducted by the [Boston Fed](#) and [San Francisco Fed](#), which utilizes input-output and bridge tables to map import content to PCE categories. For each consumption group, we take the average import content estimate from these studies and use the former's split between direct and indirect import content to produce separate estimates for direct and indirect inflation effects.<sup>6</sup> We then map import content estimates from PCE categories into corresponding CPI equivalents. [Figure 4](#) summarizes the direct/indirect import content for the CPI breakdown, and sector-specific tariff rates are detailed in [Figure 3](#) and [Figure 12](#) ("By Product" column).

(1) To obtain an estimate for the direct price effect, we multiply the direct import content of a product by its applicable tariff rate, assuming a pass-through rate of 80%. The fact that similar tariff rates are imposed on a broad group of trading partners argues for a relatively high pass-through of higher import costs. The 'direct impact' columns in [Figure 5](#) and [Figure 6](#) show that direct price effects are expected to be particularly large for CPI goods categories such as apparel or new cars.

(2) For the indirect effects through higher production costs, we multiply the indirect import content of a product by the tariff rate that is most representative of its imported inputs.<sup>7</sup> We assume a lower pass-through rate of 60% as cost increases make their way through several production stages (with associated potential for margin changes).

(3) Higher prices of imported goods will mean an improved competitive landscape with lower relative prices for domestic producers, which could lead to increases in prices of domestically produced goods. To get an estimate of these indirect effects, we assume that the increase in domestic prices is a function of the direct tariff effect (assuming that domestic prices are more responsive in sectors where the share of directly imported goods is higher).<sup>8</sup>

The resulting estimates for the overall indirect effect - the sum of (2) and (3) - is shown in the 'indirect impact' column of [Figure 5](#). They are relatively high for goods such as new and used cars or 'other' core goods, but are also positive for some services.<sup>9</sup>

[Figure 5](#)-[Figure 7](#) summarize the estimated total first round effects on various CPI

<sup>6</sup> Where FRB Boston data is unavailable, we utilize only data from the more detailed FRB San Francisco study. In cases where only the macro subgroup is available from the Boston Fed, we apply the direct/indirect percentages to sub-items. For example, the direct/indirect split for "Garments" is applied to "Women and Girls Clothing," "Men's and Boys Clothing," and "Children and Infants Clothing". For food and energy, which are not covered by the Boston Fed study, we assume an 80%/20% direct/indirect split for goods, consistent with the average import content splits for core goods

<sup>7</sup> For example, the reciprocal tariff rate is applied to the direct share of clothing, while the overall average tariff rate (across all sectors) is applied to the indirect share of clothing

<sup>8</sup> We apply this price increase to the production value of the final good (i.e. transportation costs, retail, and wholesale margins are excluded), and assume no price changes for services.

<sup>9</sup> The indirect impact on services comes from the higher production cost channel, we are not assuming

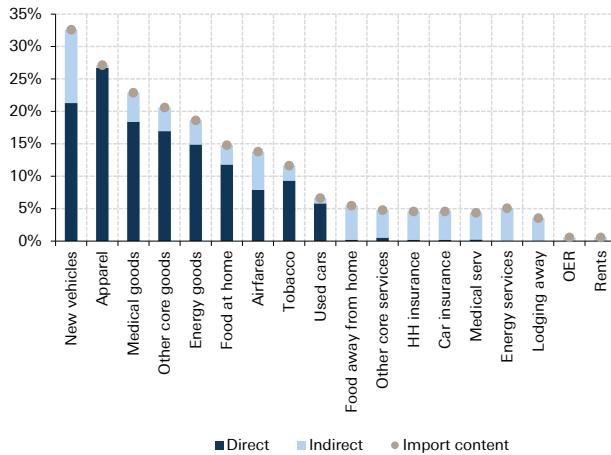
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components. Based on the tariffs announced so far and the assumptions outlined above, our analysis suggests an approximate 0.9pp impact on headline CPI.<sup>10</sup> As discussed above, the risks to our tariff assumptions are likely to be on the upside.

**Figure 4: Direct/Indirect import content across CPI components**



Source : Deutsche Bank, Haver Analytics, BLS, BEA, Boston Fed, San Francisco Fed

**Figure 5: Estimated tariff impact across CPI components**

CPI impact				
	Tariff rate	Impact		
		Direct	Indirect	Total
<b>Headline CPI</b>		0.5%	0.4%	<b>0.92%</b>
<b>Food</b>		0.9%	0.6%	1.5%
Food at home	15.6%	1.5%	0.8%	2.2%
Food away from home	0.0%	0.0%	0.4%	0.4%
<b>Energy</b>		0.0%	0.4%	0.4%
Energy goods	0.0%	0.0%	0.3%	0.3%
Energy services	0.0%	0.0%	0.4%	0.4%
<b>Core</b>		0.5%	0.4%	0.9%
<b>Core goods</b>		2.1%	1.0%	3.1%
Apparel	15.6%	3.3%	0.2%	3.6%
New vehicles	13.5%	2.3%	1.7%	4.0%
Used cars	13.5%	0.6%	0.8%	1.5%
Medical goods	14.7%	2.2%	1.0%	3.2%
Tobacco	15.6%	1.2%	0.2%	1.4%
Other core goods	14.7%	2.0%	1.1%	3.1%
<b>Core services</b>		0.0%	0.2%	0.2%
OER	0.0%	0.0%	0.0%	0.0%
Rents	0.0%	0.0%	0.0%	0.0%
Lodging away	0.0%	0.0%	0.3%	0.3%
HH insurance	0.0%	0.0%	0.4%	0.4%
Medical serv	0.0%	0.0%	0.4%	0.4%
Airfares	0.0%	0.0%	0.5%	0.5%
Car insurance	0.0%	0.0%	0.4%	0.4%
Other core services	0.0%	0.0%	0.4%	0.4%

Source : Deutsche Bank, Haver Analytics, BLS

any domestic price adjustments here

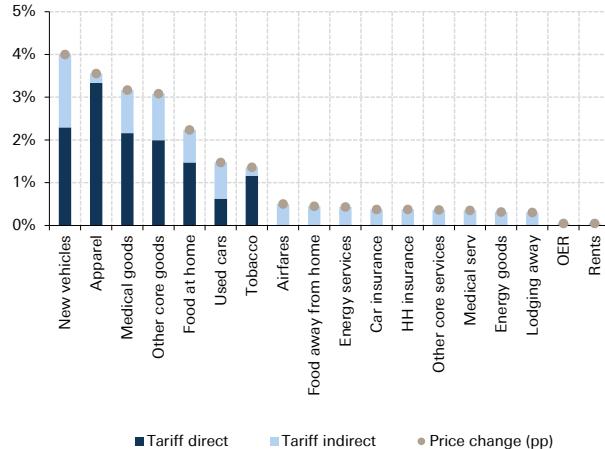
<sup>10</sup> Throughout the analysis we assume neither retailers nor distributors raise their profit markups, implying some upside risks to our estimates

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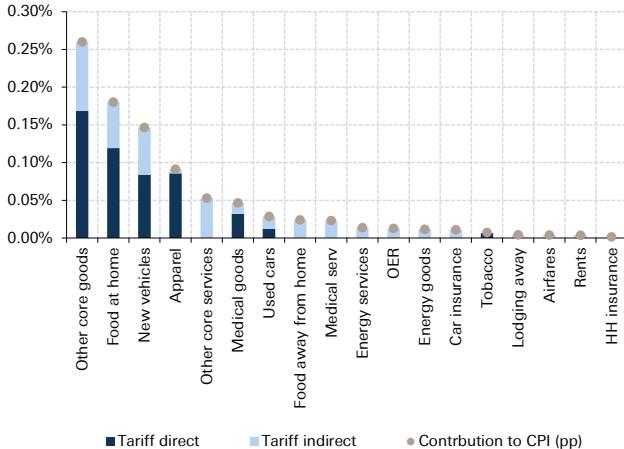


Figure 6: Estimated price changes across CPI components



Source : Deutsche Bank, Haver Analytics, BLS

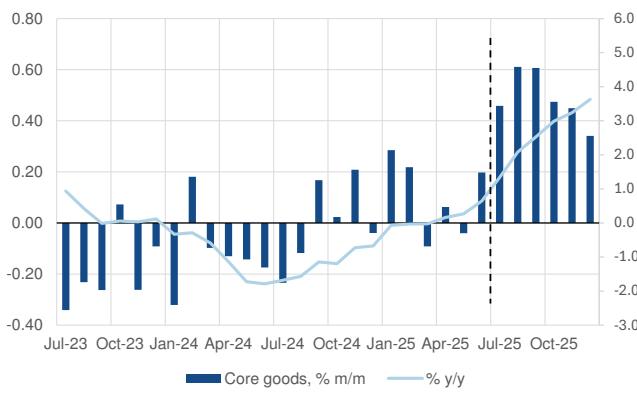
Figure 7: Estimated CPI contributions impact across components



Source : Deutsche Bank, Haver Analytics, BLS

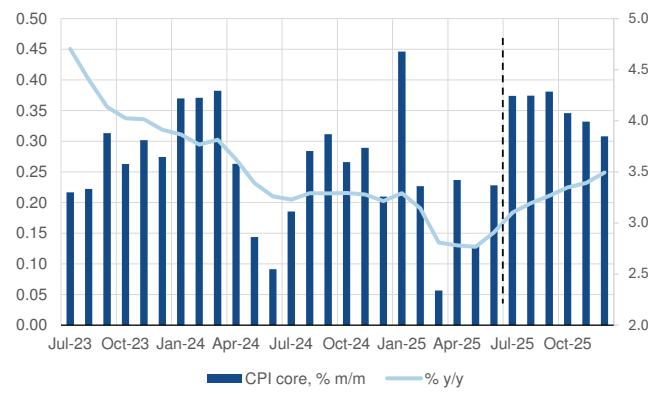
In terms of the timing of these effects, the [2018 experience](#) suggests that direct effects could materialise relatively quickly, starting 2-3 months after the implementation of tariffs,<sup>11</sup> while indirect effects should be expected to appear more progressively over the next year or so. In the current context, upward pressure on import prices could be amplified by the currency weakening since the start of the year. In total, the risk is that the second half of this year will see noticeable upward pressure on CPI, with core goods inflation in particular accelerating quickly and overall core inflation in the 0.3-0.4% m/m range for the rest of the year ([Figure 8](#)-[Figure 9](#)).

Figure 8: H2 expected to see some noticeable upward pressure on core goods CPI



Source : Deutsche Bank, BLS, Haver Analytics

Figure 9: Core inflation could be in the 0.3-0.4% m/m range for the rest of the year



Source : Deutsche Bank, BLS, Haver Analytics

<sup>11</sup> CPI methodology may imply a somewhat more gradual pick up for CPI new cars

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While the discussion above has focused exclusively on first-round effects, the risk is that next year will see some positive second-round effects as well. Weaker growth could provide some offset, but with inflation remaining in focus of the broader public, higher inflation expectations could lead to some inertia following the significant price increases expected in the coming months.

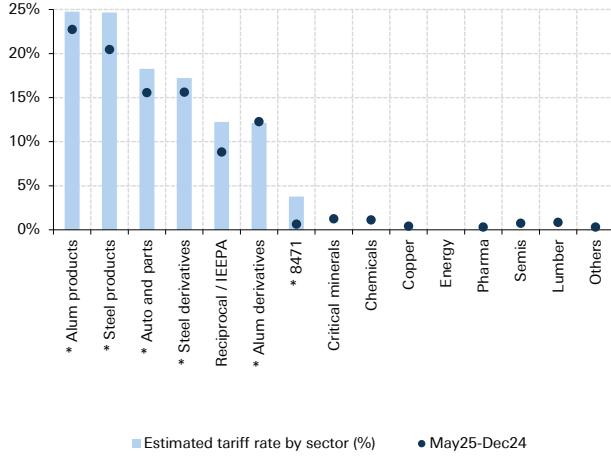
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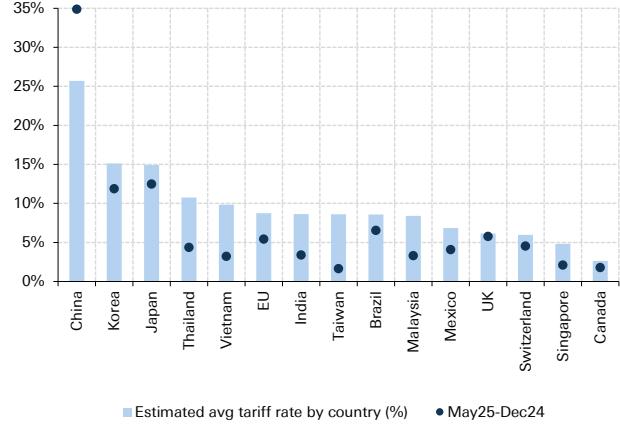
## Appendix

**Figure 10: Estimated average tariff rate increase vs actual by sectors**



Source : Deutsche Bank, Haver Analytics, Census Bureau  
Note: The estimated tariff rates in this chart are calculated based on trade deals in place in May

**Figure 11: Estimated average tariff rate increase vs actual by countries**



Source : Deutsche Bank, Haver Analytics, Census Bureau  
Note: The estimated tariff rates in this chart are calculated based on trade deals in place in May

**Figure 12: Tariff rates contributions and total estimates by sector/countries**

	Tariff rates (contribution and total)														Total	By Product		
	EU	Mexico	China	Canada	Japan	Vietnam	Korea	Taiwan	India	UK	Switzerland	Thailand	Malaysia	Singapore	Brazil	Others	Total	By Product
Auto and parts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
* Auto and parts	0.3%	0.4%	0.3%	0.0%	0.2%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	1.9%	13.5%
* 8471	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	3.7%
Steel	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
* Steel products	0.2%	0.1%	0.2%	0.1%	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	49.3%
* Steel derivatives	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	34.5%
Aluminum	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
* Aluminum	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	49.5%
* Aluminum derivatives	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	24.3%
Critical minerals	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Chemicals	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Copper	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	33.8%
Energy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pharma	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	1.1%	14.7%
Semis	0.1%	0.0%	0.3%	0.0%	0.0%	0.1%	0.1%	0.3%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	1.3%	14.4%
Lumber	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Others	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
De minimis	0.0%	0.0%	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	35.2%
Reciprocal / IEEPA	1.3%	0.5%	2.0%	0.2%	0.3%	0.5%	0.2%	0.1%	0.2%	0.2%	0.2%	0.1%	0.1%	0.1%	0.2%	1.2%	7.3%	15.6%
<b>Total</b>	<b>2.7%</b>	<b>1.2%</b>	<b>3.6%</b>	<b>0.4%</b>	<b>0.7%</b>	<b>0.8%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.4%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.3%</b>	<b>0.2%</b>	<b>0.3%</b>	<b>1.9%</b>	<b>14.2%</b>	
<b>By Country</b>	<b>14.3%</b>	<b>7.8%</b>	<b>26.7%</b>	<b>3.8%</b>	<b>14.6%</b>	<b>18.1%</b>	<b>14.9%</b>	<b>14.6%</b>	<b>15.7%</b>	<b>10.9%</b>	<b>14.4%</b>	<b>16.0%</b>	<b>15.7%</b>	<b>14.4%</b>	<b>25.4%</b>	<b>13.6%</b>		

Source : Deutsche Bank, Haver Analytics, Census Bureau

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## G10 Rates Chartpack: July 2025

### Summary

This report summarises key macroeconomic metrics and frameworks that we are closely monitoring. We provide a regular update on the evolution of developed market (DM) rates markets in the recent past. Considering the uncertainty surrounding trade and fiscal policy, we begin by comparing budget balances and current account balances across major DM countries. We then analyse the distribution of outstanding bonds by investor type to assess the proportion held by price-insensitive investors, such as domestic central banks. Moving to market pricing, we examine pricing trends of major central banks, followed by recent market movements in key rates products. Finally, we update our cross-country PCA of term premia, as well as the seasonality of selected rates instruments. Definitions, methodologies, links to our key views, and recent publications are provided in the appendix.

**Mingyue Xin**

Strategist

+44-20-754-10002

mingyue.xin@db.com

**Note:** This report was originally published on [29 July 2025](#).

As idiosyncratic drivers gain prominence (e.g., Japan election, UK fiscal and political uncertainty, the frontloading of Germany fiscal expansion, etc.), the correlation between yield changes since April 1st versus NIIP has further declined to the 50-60% range, from previous levels of 80%+. Despite this, our indicative rich/cheap assessments remain broadly consistent with our previous update, as our independent variables are based on quarterly or annual data, lagging shorter-term market movements.

10y Swedish government bonds (SGB) appear the cheapest relative to both twin deficits and our twin deficits score, while 10y Japanese government bonds (JGB) and Swiss government bonds rank as the two richest. 30y gilts still look the cheapest relative to net international investment position (NIIP), while 10y US Treasuries (UST) appear the richest in the 10-year mapping.

Market pricing reflects an expectation of rate hikes from all major central banks by 2027. The 10y FX-hedged JGB yield has recently diverged from the 10y GDP-weighted EGB yield, while 30y JGBs still offer a yield roughly 60 basis points higher than 30y GDP-weighted EGBs.

Figure 13: Summary of G10 rates frameworks

Residuals (green = too low = bond rich/cash underperformed/TP too low)	USD	GDPW EGBs	GBP	JPY	CAD	AUD	NZD	CHF	SEK	NOK (Adj.)
10Y govt bond yield vs NIIP	green	pink	red	green	red	pink	pink	green	red	pink
10Y govt bond yield vs twin deficits	pink	pink	pink	green	pink	pink	pink	pink	pink	pink
10Y govt bond yield vs twin deficits score	pink	pink	pink	pink	pink	pink	pink	pink	pink	pink
30Y govt bond yield vs NIIP	green	red	red	red	red	red	pink	green	red	green
30Y govt bond yield vs twin deficits	red	red	red	pink	red	red	pink	red	red	pink
30Y govt bond yield vs twin deficits score	red	red	red	pink	red	red	pink	red	red	pink
10y ASW (swap - cash) vs NIIP										
10y ASW (swap - cash) vs twin deficits	green	green	green	green	green	red	green	green	red	green
10y ASW (swap - cash) vs twin deficits score	green	green	green	green	green	red	green	green	red	green
5s10s cash TP vs NIIP										
5s10s cash TP vs twin deficits	red	red	red	green	red	red	red	green	red	green
5s10s cash TP vs twin deficits score	red	red	red	green	red	red	red	green	red	green
5s10s cash TP 3m PCA residuals	green	green	green	green	green	red	green	green	red	green
5s10s swap TP vs NIIP										
5s10s swap TP vs twin deficits	red	red	red	green	red	red	red	green	red	green
5s10s swap TP vs twin deficits score	red	red	red	green	red	red	red	green	red	green
5s10s swap TP vs 5y5 inflation	green	green	green	green	green	red	green	green	red	green
10y 3m FX-hedged yield (green => red = low => high)	red	red	red	green	red	red	red	green	red	green
30y 3m FX-hedged yield (green => red = low => high)	red	red	red	green	red	red	red	green	red	green

Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

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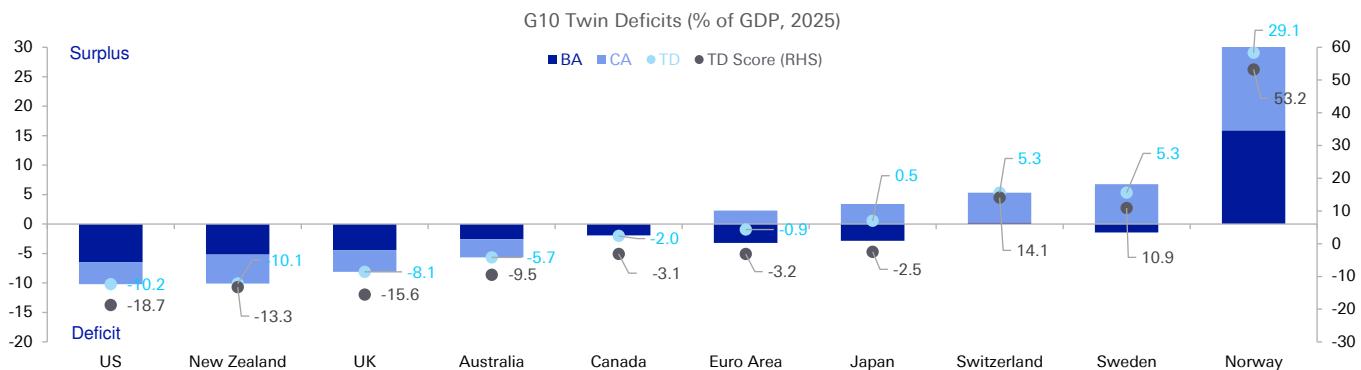
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## Twin Deficits

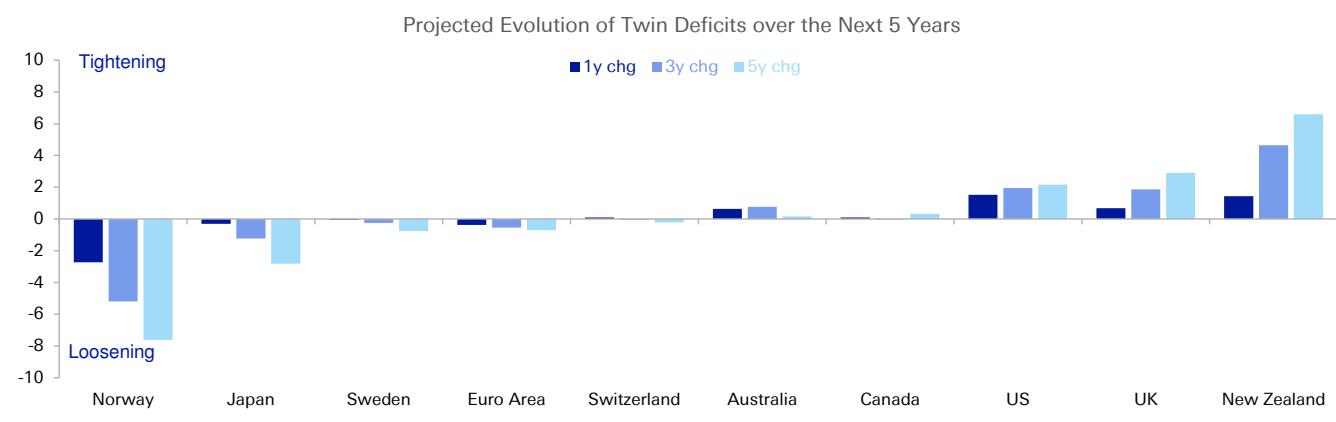
Twin Deficit is simply the sum of the projected Budget & Current Account deficit of each country in the current year. Twin Deficit score is a synthetic weighted average where we assign a higher weight to this year's Twin Deficit ( $t$ ), followed by gradually lowering the weights of the past five years ( $t-1, t-2, \dots, t-5$ ) twin deficits and finally adding some weight to the cumulative Twin Deficit up to year  $t-5$ . This allows us to create a synthetic Twin Deficit score which combines both the most recent flow and the historical stock of budget & current account deficits.

**Figure 14: G10 Twin Deficits (% of GDP)**



Source : Deutsche Bank, Haver Analytics, IMF

**Figure 15: Projected Evolution of Twin Deficits over the Next 5 Years**



Source : Deutsche Bank, Haver Analytics, IMF

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Figure 16: Projected Evolution of Twin Deficits Score over the Next 5 Years

Projected Evolution of Twin Deficits Score over the Next 5 Years

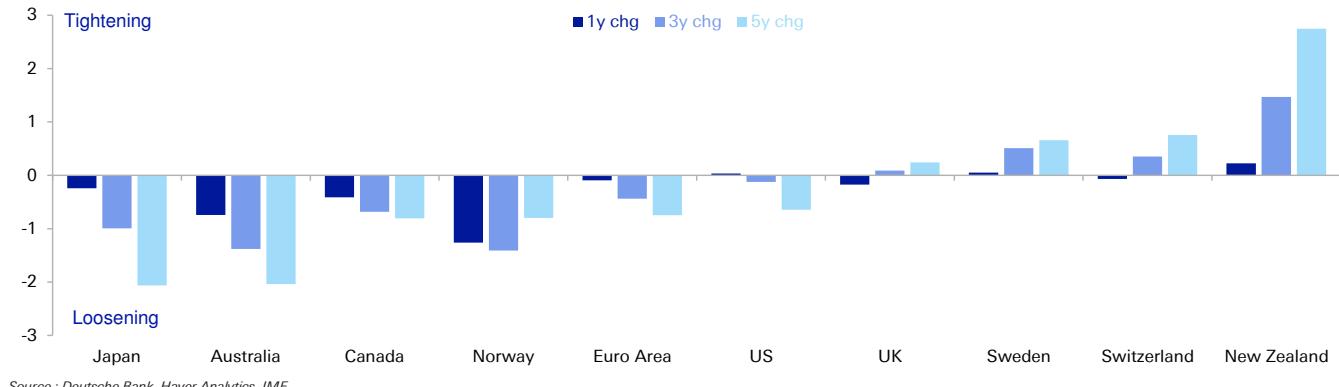


Figure 17: Twin Deficits vs 10Y Yield

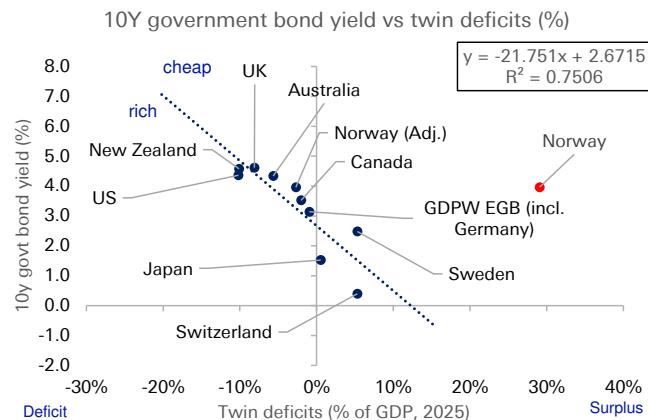


Figure 18: Twin Deficits Score vs 10Y Yield

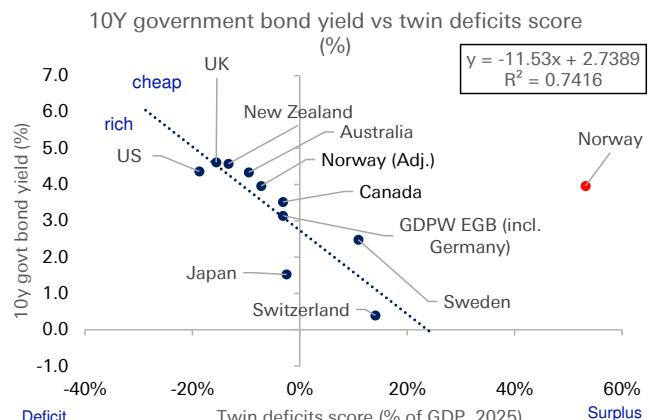


Figure 19: Residuals: 10y yield vs. twin deficits (bp)

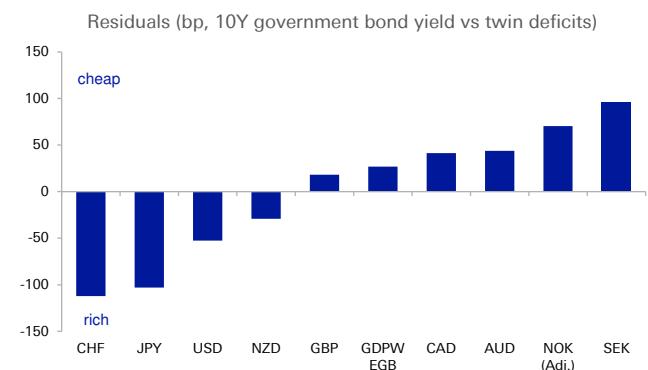
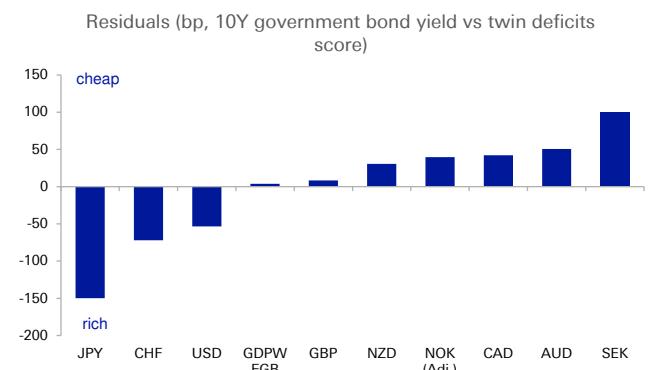


Figure 20: Residuals: 10y yield vs. twin deficits score (bp)

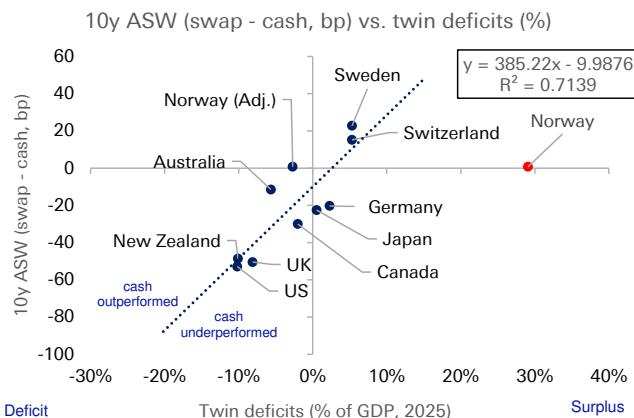


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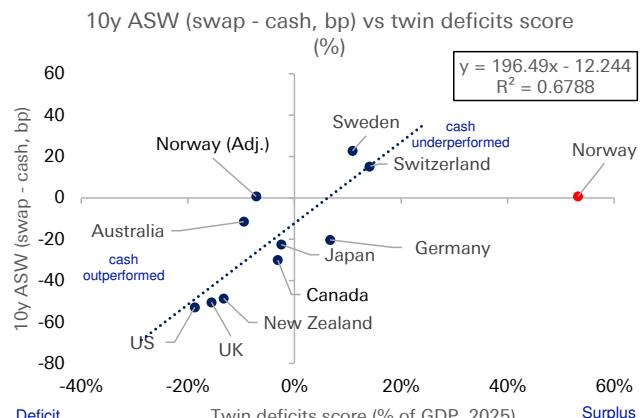


Figure 21: Twin Deficits vs 10Y ASW (swap - cash)



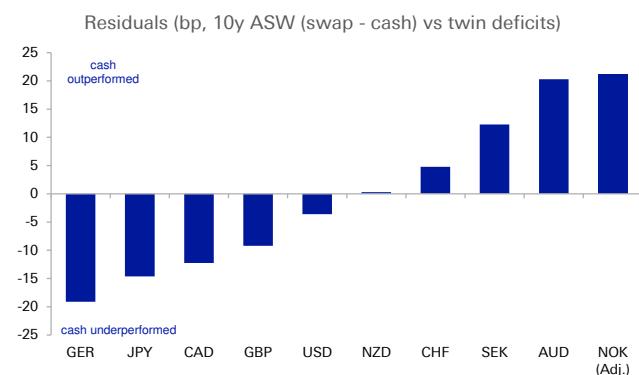
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 22: Twin Deficits Score vs 10Y ASW (swap - cash)



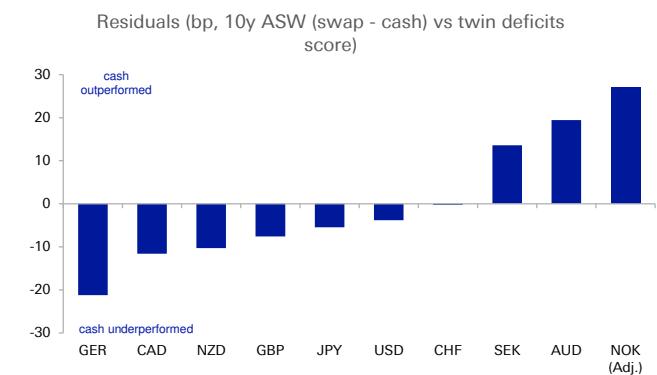
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 23: Residuals: 10y ASW vs. twin deficits (bp)



Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

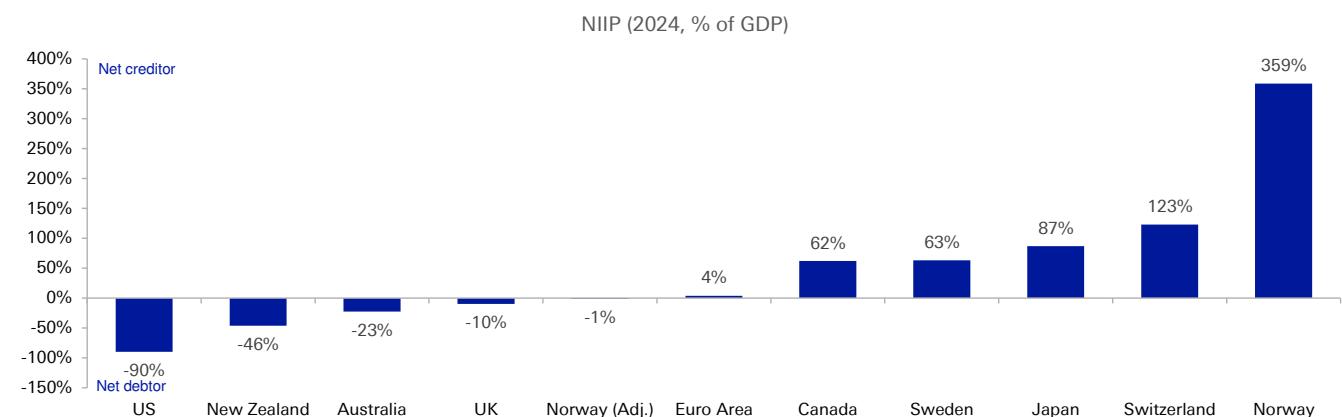
Figure 24: Residuals: 10y ASW vs. twin deficits score (bp)



Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

## Net international investment positions (NIIP)

Figure 25: Net international investment positions (% of GDP)



Source : Deutsche Bank, Haver Analytics, IMF

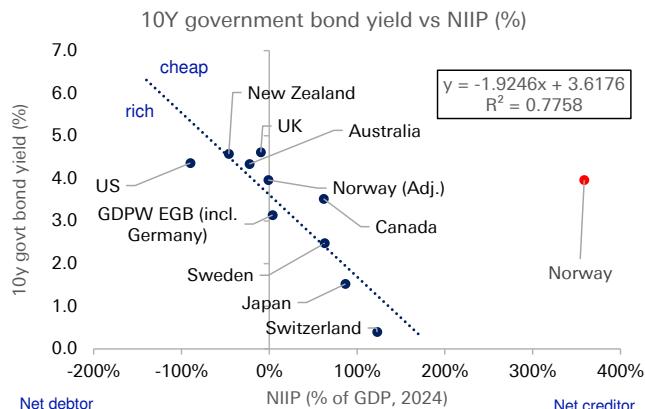
Note: please see [here](#) for more details regarding the adjustments for Norway

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Figure 26: 10Y yield vs NIIP (%)



Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 27: 30Y yield vs NIIP (%)

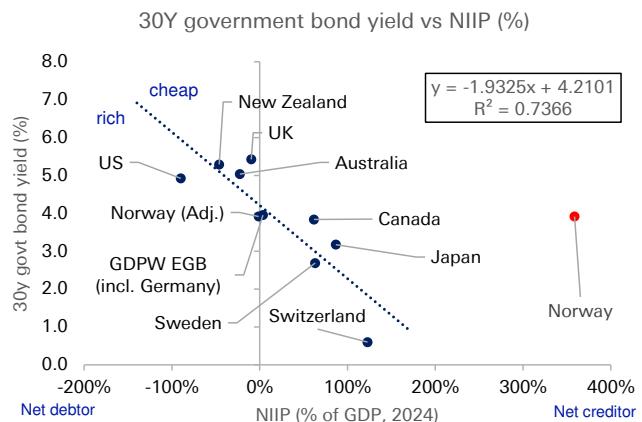
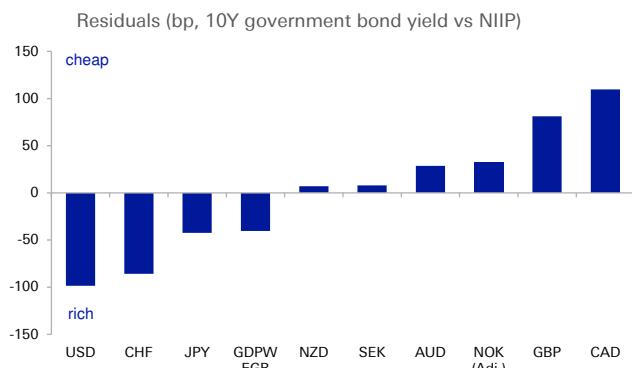
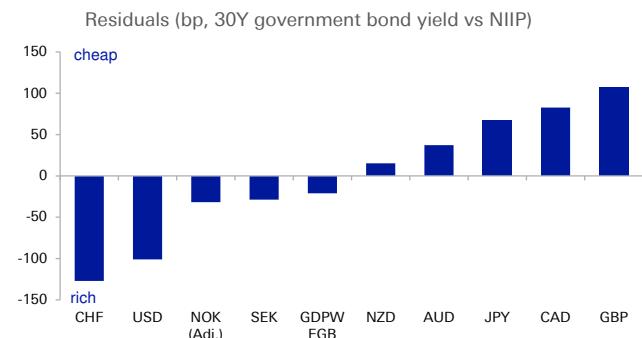
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF  
\*Sweden and Norway are proxied by SGB 2045 and NGB 2042

Figure 28: Residuals (bp, 10Y government bond yield vs NIIP)



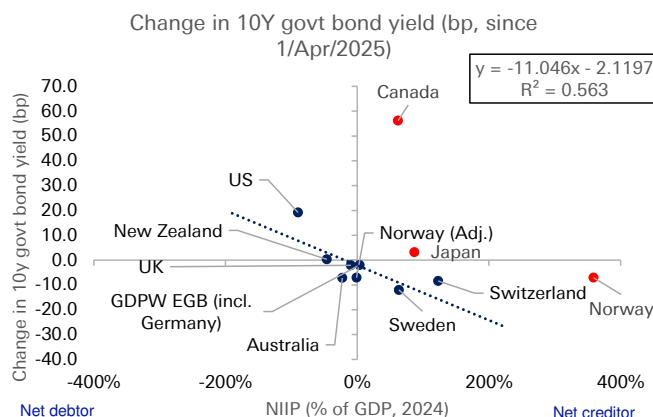
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 29: Residuals (bp, 30Y government bond yield vs NIIP)



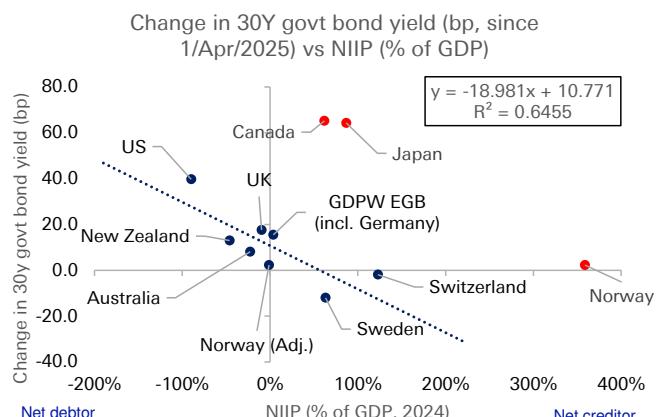
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 30: Change in 10Y yield (bp, since 1/Apr/2025) vs. NIIP



Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 31: Change in 30Y yield (bp, since 1/Apr/2025) vs. NIIP

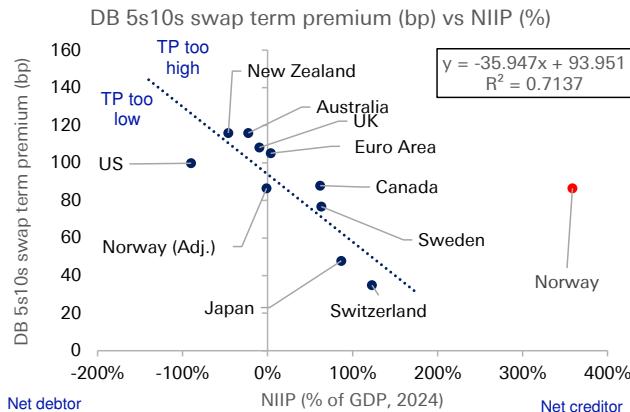
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF  
\*Sweden and Norway are proxied by SGB 2045 and NGB 2042

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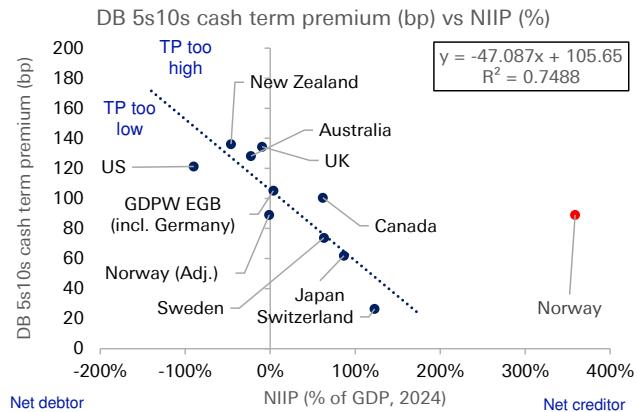


Figure 32: DB 5s10s swap term premium (bp) vs. NIIP (%)



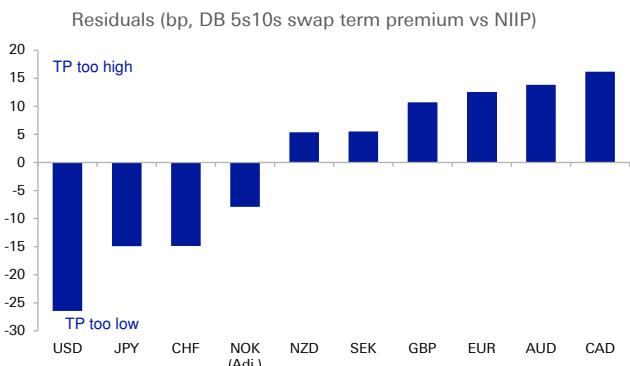
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 33: DB 5s10s cash term premium (bp) vs. NIIP (%)



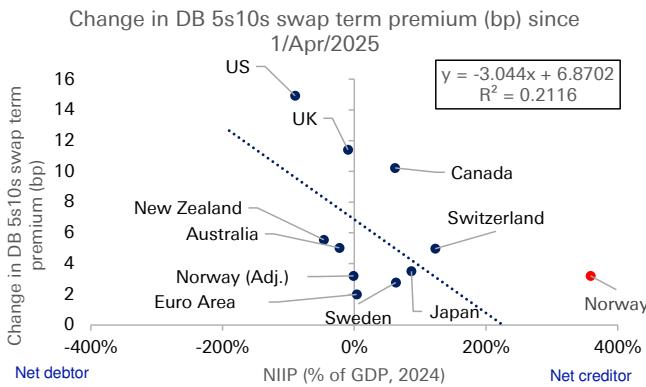
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 34: Residuals (bp, DB 5s10s swap term premium vs NIIP)



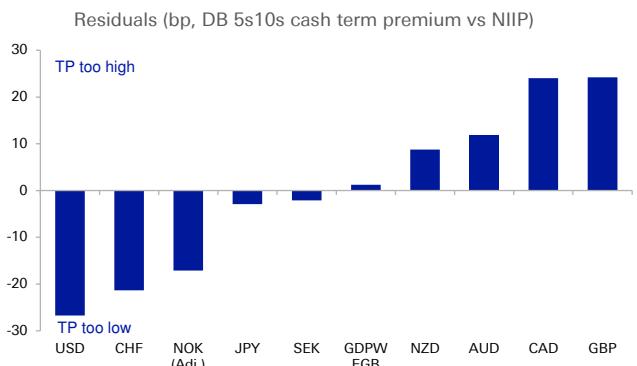
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 36: Change in DB 5s10s swap term premium (bp, since 1/Apr/2025)



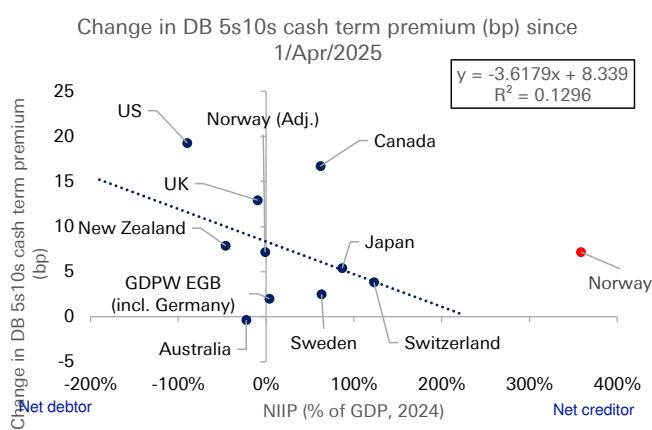
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 35: Residuals (bp, DB 5s10s cash term premium vs NIIP)



Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

Figure 37: Change in DB 5s10s cash term premium (bp, since 1/Apr/2025)



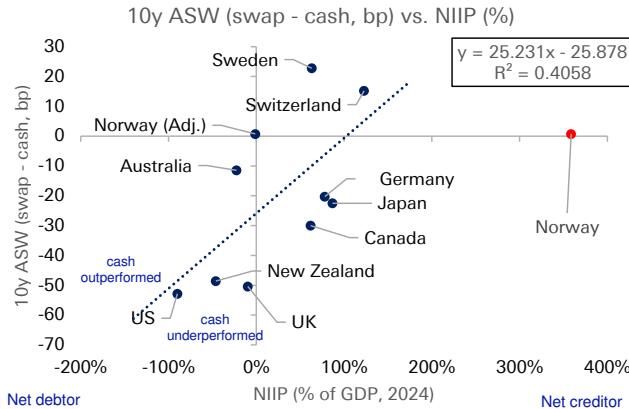
Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

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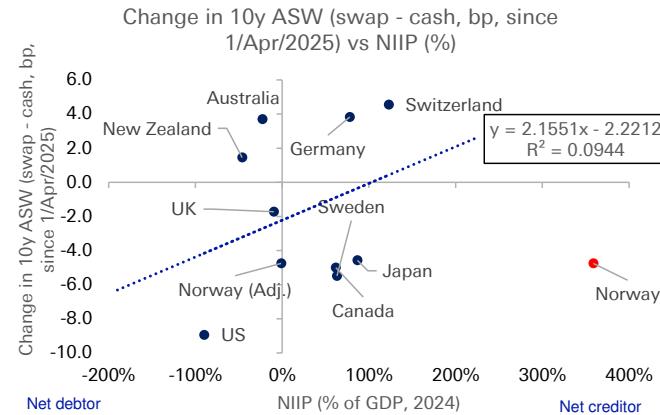


Figure 38: 10y ASW (swap - cash, bp) vs. NIIP (%)



Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

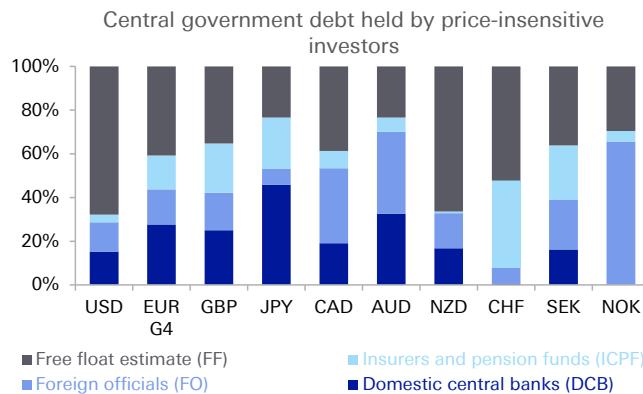
Figure 39: Change in 10y ASW (swap - cash, bp, since 1/ Apr/2025) vs NIIP (%)



Source : Deutsche Bank, Haver Analytics, Bloomberg Finance LP, IMF

## Government Bond Holdings and Free Float

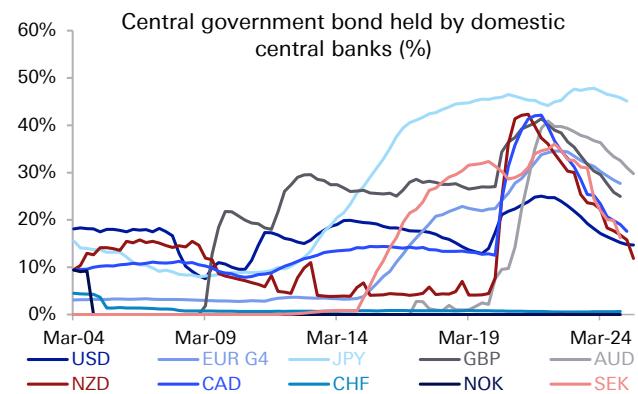
Figure 40: Central government debt held by domestic central banks (%)



Source : Deutsche Bank, Haver Analytics

Note: PF&amp;IC holdings of CHF, SEK and NOK are estimated from available public data

Figure 41: Central government debt held by domestic central banks (%)



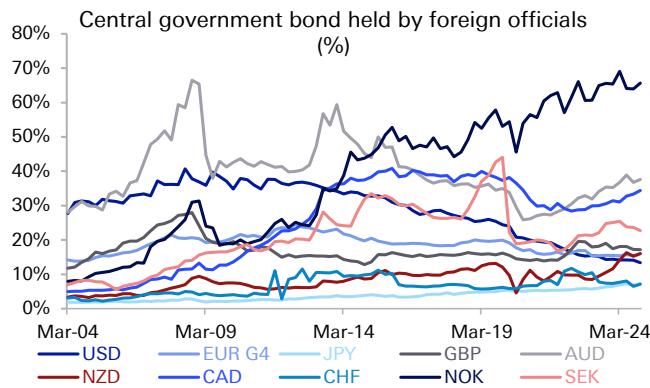
Source : Deutsche Bank, Haver Analytics

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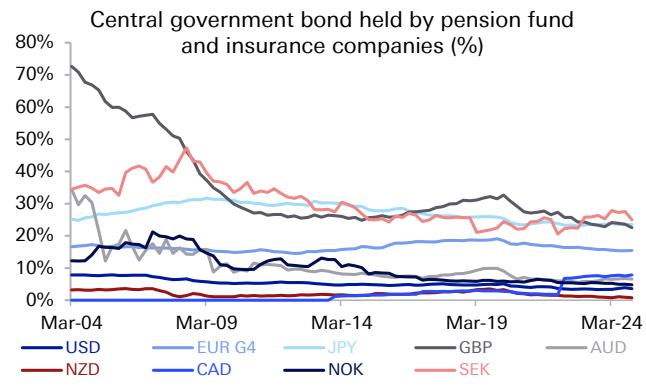


**Figure 42: Central government debt held by foreign officials (%)**



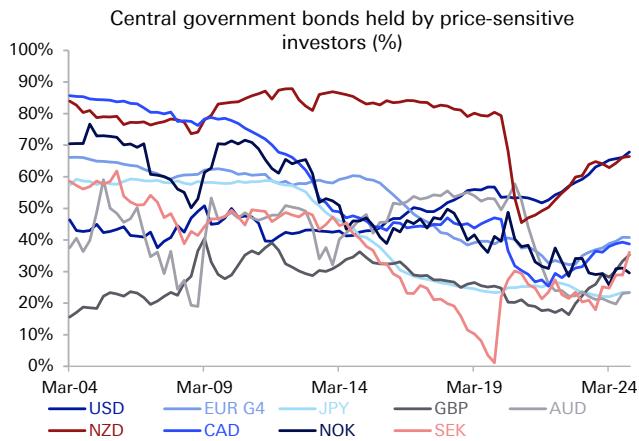
Source : Deutsche Bank, Haver Analytics

**Figure 43: Central government debt held by pension funds and insurance companies (%)**



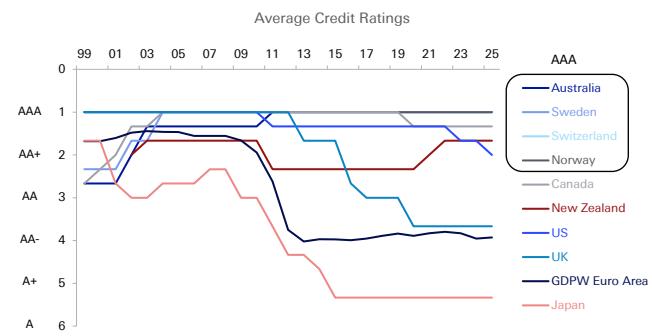
Source : Deutsche Bank, Haver Analytics

**Figure 44: Central government debt held by price-sensitive investors (%)**



Source : Deutsche Bank, Haver Analytics

**Figure 45: Average Credit Ratings**



Source : Deutsche Bank, Bloomberg Finance LP, Moody's S&P, Fitch  
Note: Historical data: average of year-end credit ratings. 2025: latest average credit rating.

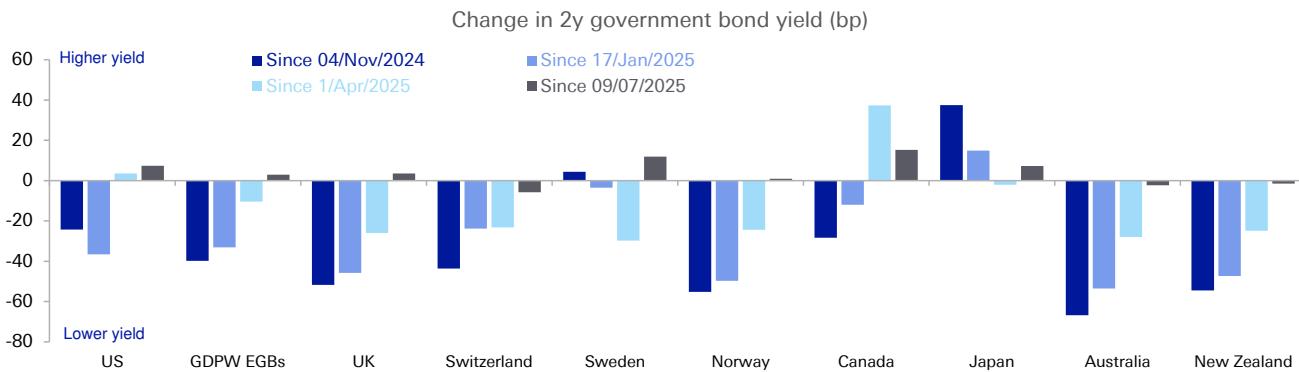
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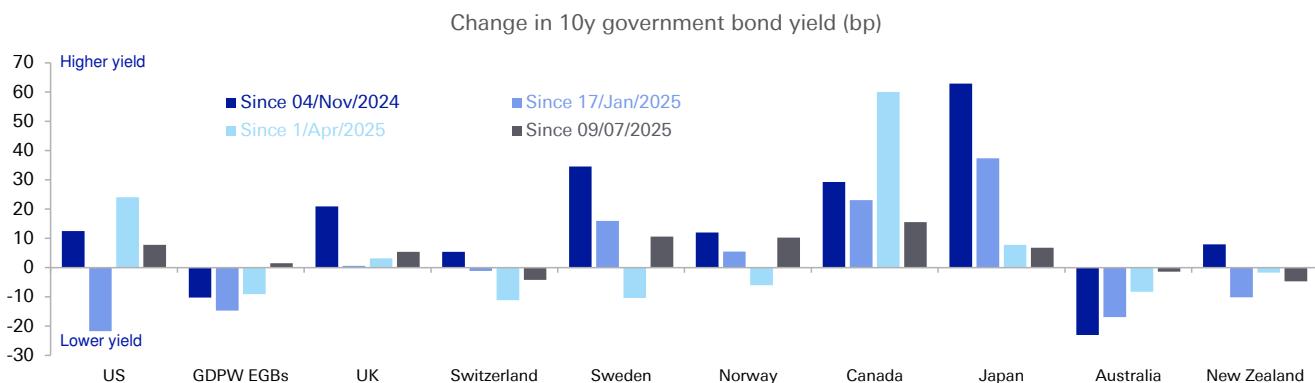
## Recent market moves

Figure 46: Change in 2y government bond yield (bp)



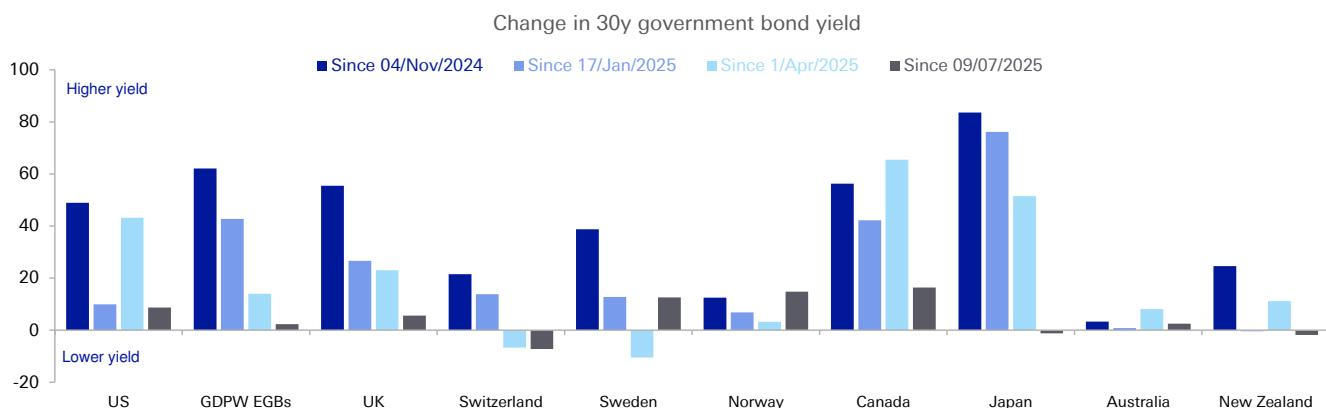
Source : Deutsche Bank, Bloomberg Finance LP

Figure 47: Change in 10y government bond yield (bp)



Source : Deutsche Bank, Bloomberg Finance LP

Figure 48: Change in 30y government bond yield (bp)



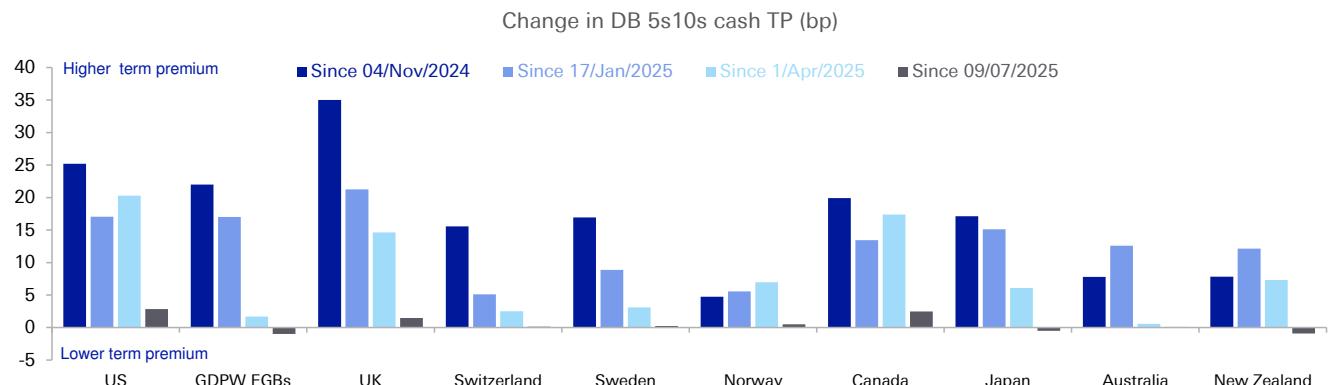
Source : Deutsche Bank, Bloomberg Finance LP

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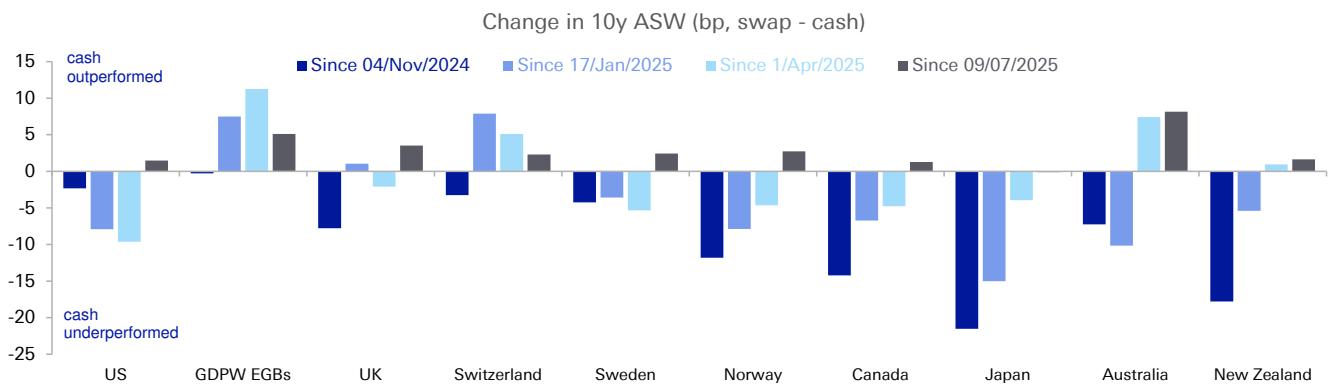


Figure 49: Change in DB 5s10s cash TP (bp)



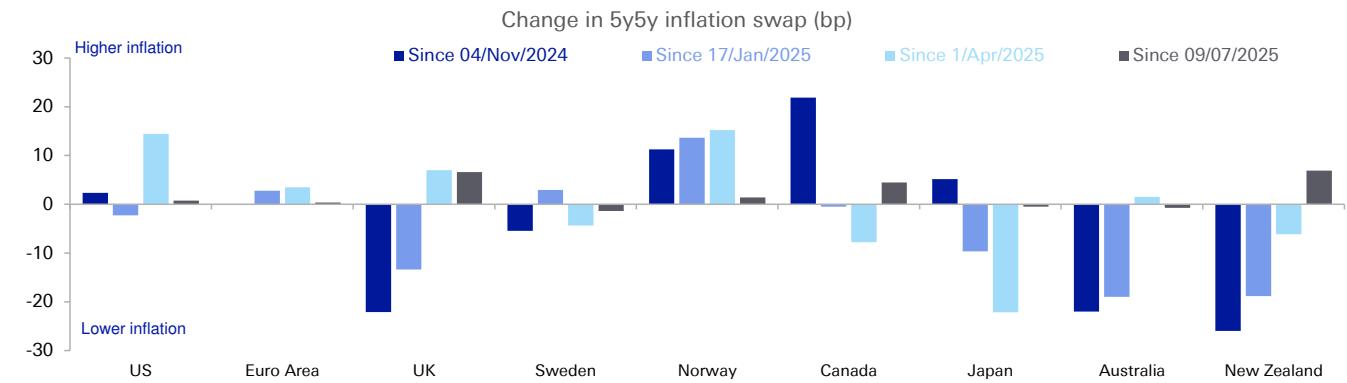
Source : Deutsche Bank, Bloomberg Finance LP

Figure 50: Change in 10y ASW (bp, swap - cash)



Source : Deutsche Bank, Bloomberg Finance LP

Figure 51: Change in 5y5y inflation swap (bp)



Source : Deutsche Bank, Bloomberg Finance LP

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Figure 52: 10y 3m FX-hedged (vs. USD) yield

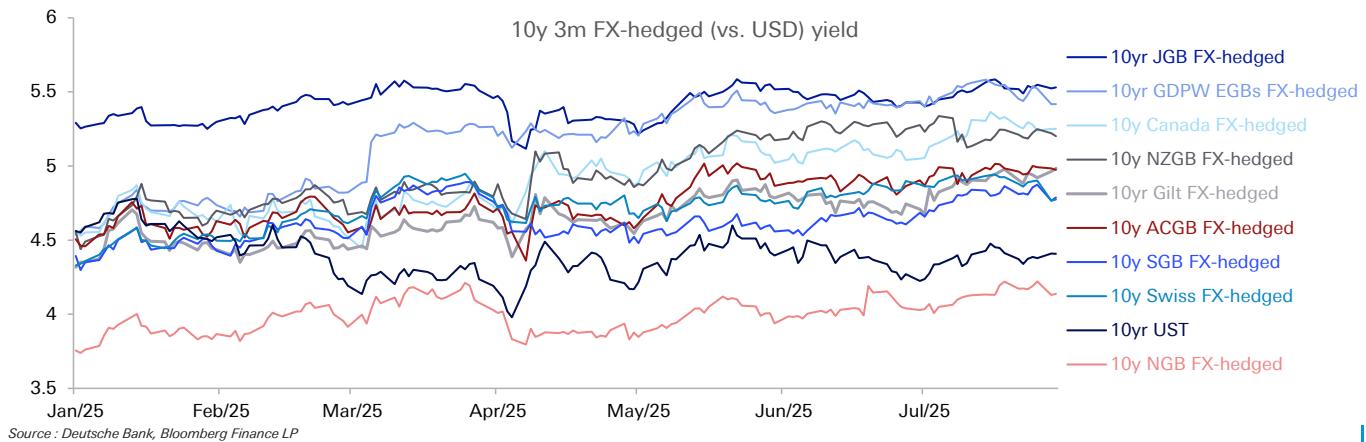
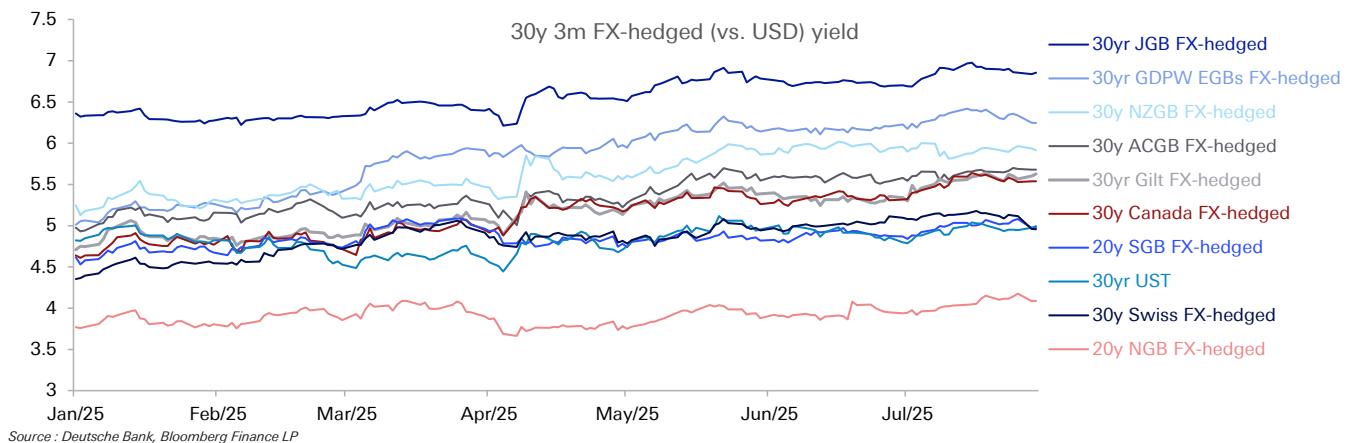


Figure 53: 30y 3m FX-hedged (vs. USD) yield



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## Market pricing of major central banks

Figure 54: Market pricing of policy rates at the end of H2-25

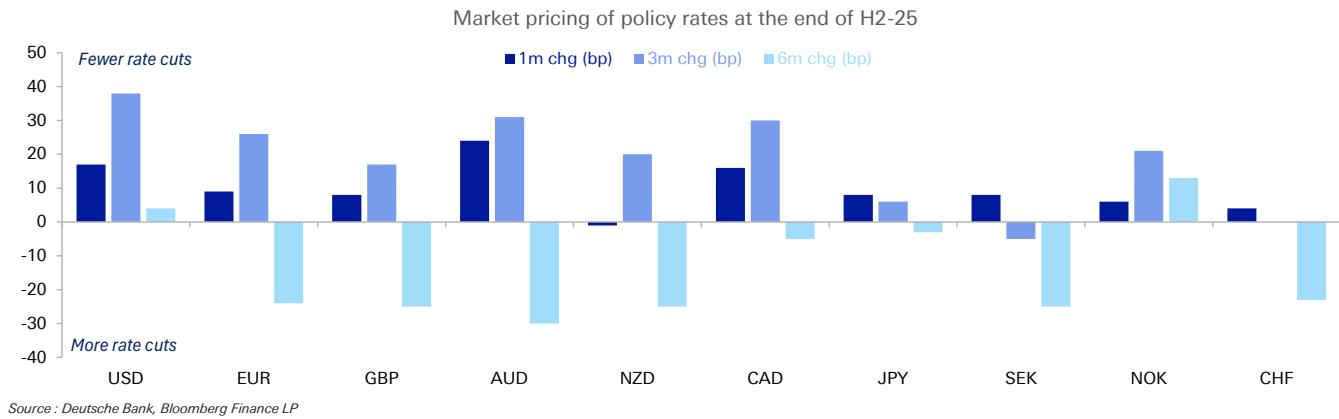


Figure 55: Market pricing of policy rates at the end of H2-26

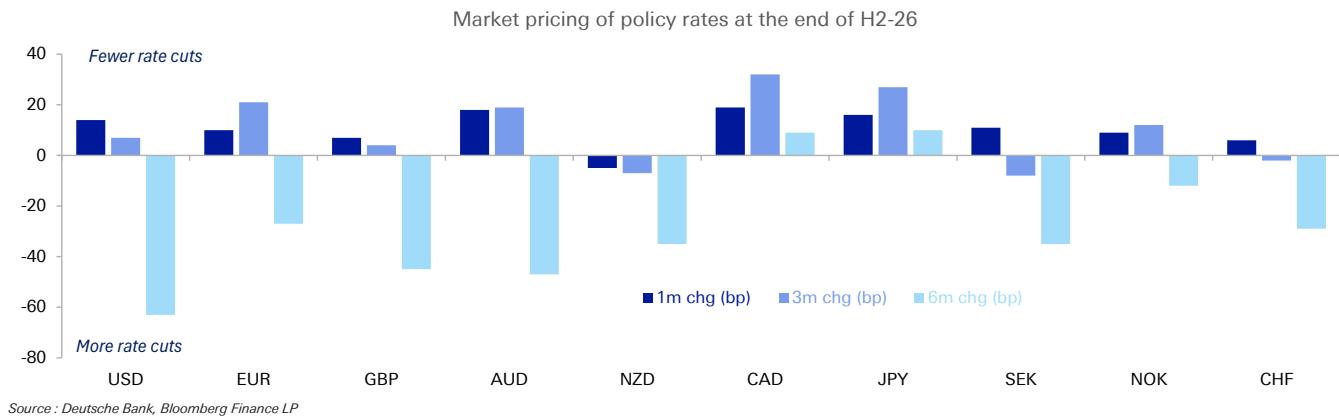
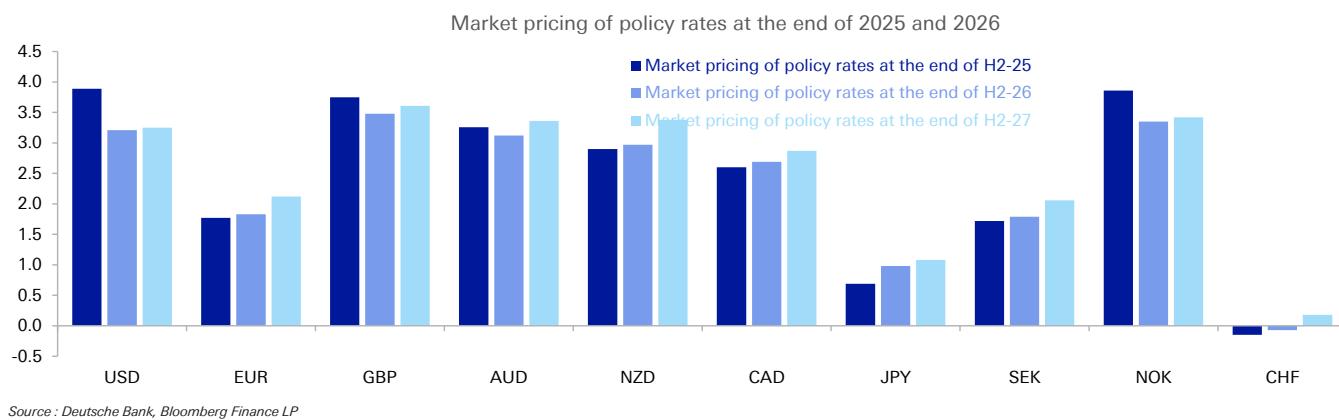


Figure 56: Market pricing of policy rates at the end of 2025 - 2027



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## DB 5s10s Swap Term Premium vs 5y5y inflation swaps

Figure 57: Current residuals

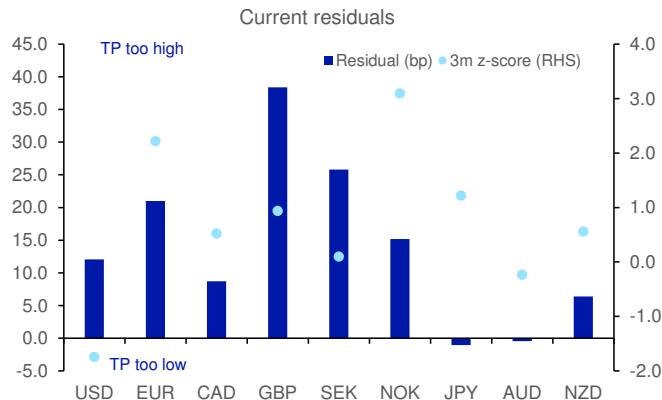


Figure 58: Historical residuals (52-week rolling linear regression)

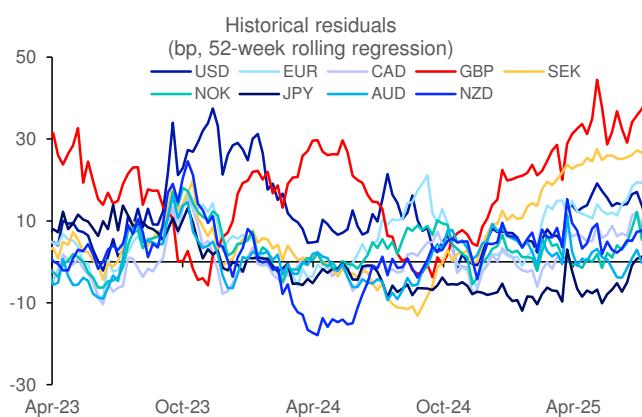


Figure 59: Change in residuals

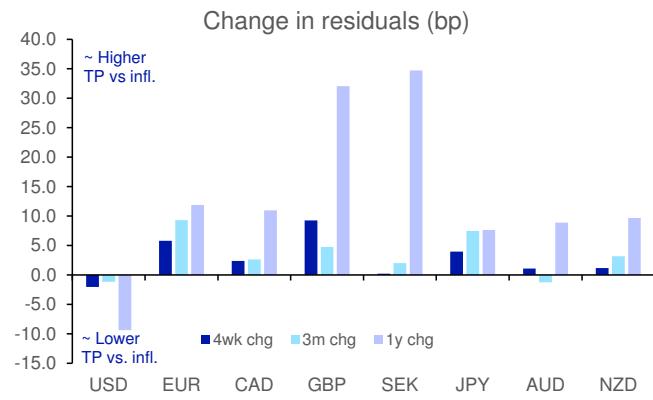
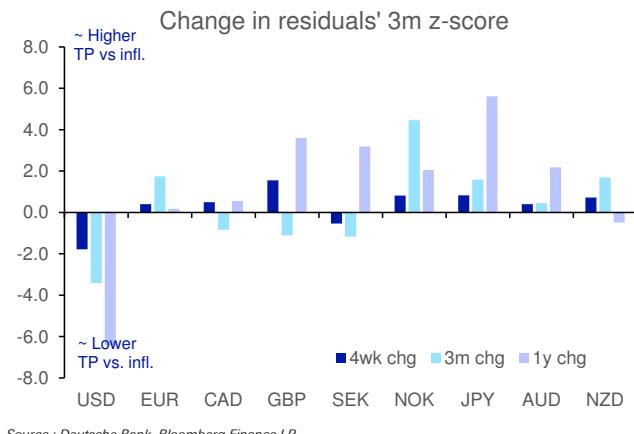


Figure 60: Change in residuals' z-score



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Figure 61: 4-week change

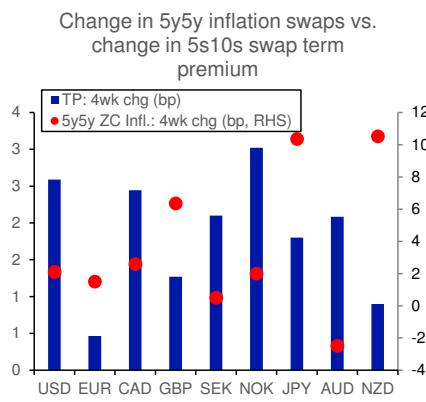


Figure 62: 3-month change

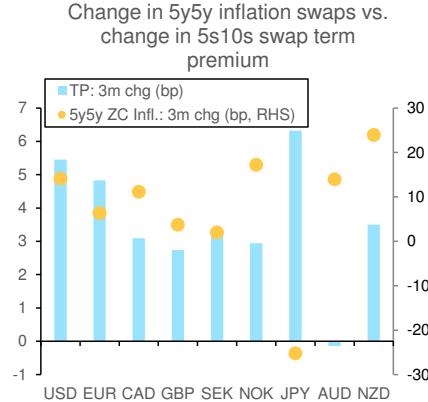
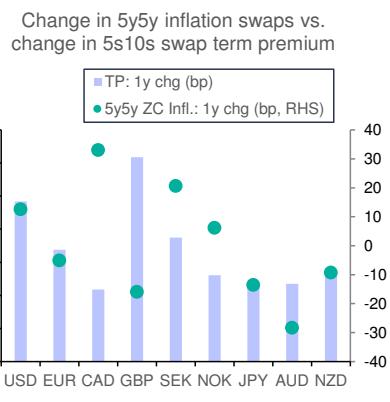


Figure 63: 6-month change



## Cross-market PCA

Figure 64: 5s10s cash term premium PCA residuals

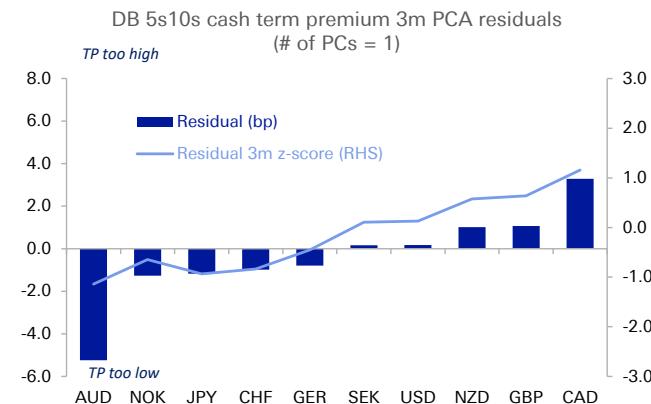
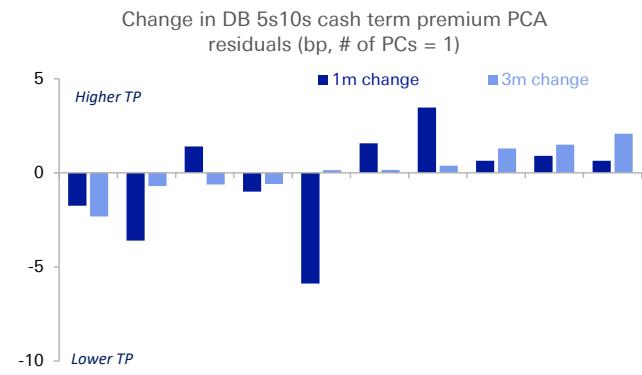


Figure 65: Change in 5s10s cash term premium PCA residuals



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## Carry and Rollover

Figure 66: Benchmark Cash Carry + Rollover

3m C&R	2Yr	5Yr	7Yr	10Yr	20Yr	30Yr
USD	-13.2	-1.4	0.8	1.6	1.4	-0.3
GER	1.0	3.8	4.4	4.0	1.8	2.0
NET	1.7	4.9	4.9	4.5	2.2	1.8
AUS	2.8	5.8	5.7	5.5	3.0	2.9
BEL	3.6	6.8	6.6	6.5	4.0	3.3
FIN	3.5	6.1	6.0	5.2	2.9	3.6
FRA	6.8	7.9	7.4	7.0	4.1	3.5
IRE	0.9	5.7	5.6	5.5	2.5	3.1
ITA	7.0	8.7	8.4	7.4	3.7	4.9
POR	2.5	5.9	6.4	6.3	3.6	3.9
SPA	3.9	7.1	7.0	6.4	4.1	4.0
JPY	9.5	5.9	5.5	6.5	6.7	3.5
GBP	-8.3	1.6	2.9	4.0	2.5	2.3
CAD	2.1	4.3	4.6	3.7	2.0	1.2
AUD	-3.1	3.9	4.7	4.3	2.9	1.8
NZD	2.1	5.9	5.6	5.7	3.0	3.2
CHF	3.2	5.2	4.9	3.5	1.5	1.0
SEK	0.0	2.1	2.3	2.4	--	--
NOK	-19.8	-1.4	-0.9	-0.8	--	--

Source : Deutsche Bank, Bloomberg Finance LP

Figure 67: Cash Vol Adjusted Carry+ Rollover

Vol Adj. 3m C&R	2Yr	5Yr	7Yr	10Yr	20Yr	30Yr
USD	-0.4	0.0	0.0	0.0	0.0	0.0
GER	0.0	0.1	0.2	0.1	0.1	0.1
NET	0.1	0.2	0.2	0.2	0.1	0.1
AUS	0.1	0.2	0.2	0.2	0.1	0.1
BEL	0.1	0.2	0.2	0.2	0.1	0.1
FIN	0.1	0.2	0.2	0.2	0.1	0.1
FRA	0.2	0.3	0.3	0.2	0.1	0.1
IRE	0.0	0.2	0.2	0.2	0.1	0.1
ITA	0.3	0.3	0.3	0.2	0.1	0.2
POR	0.1	0.2	0.2	0.2	0.1	0.1
SPA	0.2	0.3	0.3	0.2	0.1	0.1
JPY	0.8	0.3	0.2	0.3	0.2	0.1
GBP	-0.3	0.1	0.1	0.1	0.1	0.1
CAD	0.1	0.1	0.1	0.1	0.1	0.0
AUD	-0.1	0.1	0.1	0.1	0.1	0.0
NZD	0.1	0.2	0.2	0.2	0.1	0.1
CHF	0.2	0.2	0.2	0.2	0.1	0.0
SEK	0.0	0.1	0.1	0.1	--	--
NOK	-0.7	-0.1	0.0	0.0	--	--

Source : Deutsche Bank, Bloomberg Finance LP

Figure 68: Swap Carry + Rollover

3m C&R	2Yr	5Yr	7Yr	10Yr	20Yr	30Yr
USD	-14.9	-2.9	-0.9	0.1	0.3	-0.4
EUR	0.7	3.3	3.3	2.9	2.0	0.6
JPY	7.3	4.2	3.8	4.0	4.0	2.1
GBP	-6.3	0.0	1.3	1.9	1.7	0.4
AUD	-3.7	2.4	3.1	2.8	1.9	0.5
NZD	2.3	5.2	5.1	4.2	3.0	1.4
CAD	0.6	2.7	2.9	2.7	2.1	0.5
CHF	1.3	3.4	3.4	3.1	2.1	0.7
SEK	1.3	3.5	3.4	2.8	1.8	0.4
NOK	-7.7	-1.8	-1.0	-0.5	-1.2	-1.3

Source : Deutsche Bank, Bloomberg Finance LP

Figure 69: Swap Vol Adjusted Carry+ Rollover

Vol Adj. 3m C&R	2Yr	5Yr	7Yr	10Yr	20Yr	30Yr
USD	-0.4	-0.1	0.0	0.0	0.0	0.0
EUR	0.0	0.1	0.1	0.1	0.1	0.0
JPY	0.5	0.2	0.2	0.2	0.2	0.1
GBP	-0.2	0.0	0.0	0.1	0.0	0.0
AUD	-0.1	0.1	0.1	0.1	0.0	0.0
NZD	0.1	0.2	0.2	0.1	0.1	0.0
CAD	0.0	0.1	0.1	0.1	0.1	0.0
CHF	0.1	0.2	0.1	0.1	0.1	0.0
SEK	0.1	0.1	0.1	0.1	0.1	0.0
NOK	-0.3	-0.1	0.0	0.0	-0.1	-0.1

Source : Deutsche Bank, Bloomberg Finance LP

Figure 70: ASW Carry + Rollover

3m C&R	2Yr	5Yr	7Yr	10Yr	20Yr	30Yr
USD	1.7	1.5	1.7	1.5	1.1	0.1
GER	0.3	0.5	1.0	1.1	-0.2	1.4
JPY	2.2	1.7	1.6	2.5	2.7	1.4
GBP	-1.9	1.6	1.6	2.1	0.8	1.9
AUD	0.6	1.6	1.6	1.5	1.0	1.2
NZD	-0.2	0.7	0.5	1.5	0.0	1.8
CAD	1.5	1.6	1.7	1.1	0.0	0.7
CHF	1.8	1.8	1.5	0.3	-0.6	0.2
SEK	-1.3	-1.4	-1.1	-0.3	--	--
NOK	-12.1	0.4	0.0	-0.4	--	--

Source : Deutsche Bank, Bloomberg Finance LP (Note: \*Long cash + pay swap)

3m C&R	2Yr	5Yr	7Yr	10Yr	20Yr	30Yr
GER	0.3	0.5	1.0	1.1	-0.2	1.4
NET	1.0	1.6	1.5	1.7	0.2	1.2
AUS	2.1	2.5	2.4	2.6	1.1	2.3
BEL	2.9	3.5	3.3	3.6	2.0	2.7
FIN	2.8	2.7	2.7	2.4	1.0	3.0
FRA	6.1	4.5	4.1	4.1	2.1	2.9
IRE	0.2	2.3	2.3	2.6	0.5	2.5
ITA	6.3	5.4	5.1	4.5	1.8	4.2
POR	1.8	2.6	3.1	3.4	1.6	3.3
SPA	3.3	3.8	3.7	3.5	2.1	3.4

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## Seasonality

Figure 71: Seasonality Dashboard



Source : Deutsche Bank, Bloomberg Finance LP



## Appendix A: Definition and methodology

**Twin deficits and twin deficits score:** Twin deficits are one of our preferred measures of fiscal policy space. In addition to the conventional twin deficit calculation, which is simply the sum of the projected Budget & Current Account deficit of each country data from the IMF's World Economic Outlook (WEO) database, we have also created a "twin deficits score". For each year, the twin deficits score is a weighted average of the previous years' twin deficits. We assign a higher weight to this year's Twin Deficit (t), followed by gradually lowering the weights of the past five years (t-1, t-2, ..., t-5) twin deficits and finally adding some weight to the cumulative twin deficit up to year t-5. This allows us to create a synthetic twin deficit score which combines both the most recent flows and the historical stock of budget & current account deficits. Considering the fundamental difference between Norway and other G10 countries, we make adjustments to Norway's twin surpluses and NIIP when mapping with its market pricing.

**Net international investment positions (NIIP):** NIIP is a measure of a country's reliance on foreign funding and, empirically, it is highly correlated with 10-year and 30-year government bond yields in cross-sectional regressions. Examining more recent movements, specifically those since Liberation Day, the NIIP can explain approximately 80% of the yield change. This framework offers a novel descriptive perspective for analysing rates markets amidst trade policy uncertainty, rather than serving as a fair value model for identifying trading opportunities. For countries without 30-year benchmark bonds, such as Sweden and Norway, we use SGB 2045 and NGB 2042 as proxies.

**Free float:** Historically, free float is highly correlated with DB term premium. We define free float as 100% minus the proportion of government bonds held by price-insensitive investors, such as domestic central banks, foreign official institutions, pension funds, and insurance companies. Due to limited data availability for Switzerland, Sweden, and Norway, we focus primarily on the remaining seven countries/regions.

**FX hedged 10y and 30y yield vs USD:** We estimate the 3-month hedging cost using 3-month forward points and prevailing spot exchange rates. These costs were then deducted from the unhedged benchmark bond yields. For countries without a 30-year benchmark bond, such as Sweden and Norway, we present the 20-year bond yield as an alternative.

**Swap term premium vs 5y5y inflation swap:** Empirically, inflation forward is a key driver of DB term premium ( $5s10s + 0.2 \times 2s$ ). Consequently, we run a one-year rolling regression on weekly data to examine current term premium pricing is rich/cheap.

**Cross-market PCA:** We conduct a 3m fixed window PCA on DB 5s10s cash term premium in this section.

**Seasonality:** We apply the same methodology in this publication to 5s10s term premium of cash and swaps, as well as 10-year swap spreads and 5y5y inflation swaps. Red indicates higher term premium/higher inflation/richer cash vs. swaps (i.e. higher (swaps - cash)). Due to data availability issues in certain instruments and markets, the calculation in this publication use the data after 2017 to make the results more comparable.

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**Carry and rolldown estimates:** We use Bloomberg BVAL splines and 3m short-term rates to estimate carry and rolldown across countries. For countries without 30-year benchmark bonds, such as Sweden and Norway, we use the nearest available point on the spline curves. For Sweden, values in the 20-year and 30-year cells represent 15-year & 25-year bonds respectively. For Norway, values in the 20-year and 30-year cells represent 15-year & 20-year bonds respectively. The carry and rolldown for swap spreads is defined as long cash versus pay swaps.

## Appendix B: Key views and recent publications on G10 rates

### Macro portfolio:

Higher US 5y5y CPI (12/May/25): [Fixed Income Blog: USD inflation strategy: going long 5y5y CPI](#)

Higher 10y Bund yield (4/Mar/25): [Fixed Income Blog: Was auch immer es braucht: Going short Bund](#)

Tighter BTP/OAT spread (01/May/25): [Fixed Income Blog: Risks of oil spillage: a slippery surface for Bund yields](#); (19/Jun/25): [Fixed Income Blog: Oil and rates](#)

Lower 30y JGB yield (14/Apr/25): [Fixed Income Blog: Four rights, one wrong and four mispricings](#); (17/Jun/25): [Fixed Income Blog: Assessing Outliers in the Twin Deficits and NIIP Frameworks](#)

Higher 3y JGB yield (24/Jan/25): [Fixed Income Blog: Conviction ructions](#); (26/Jul/24): [Fixed Income Chart Of The Day: BoJ: why this time is different](#)

### USD:

Latest Fed path assumptions: Our baseline remains that modestly stronger inflation prints over the coming months will delay the next rate cut until December, after which we expect a further 50bps reduction in Q1 2026. This would bring the fed funds rate to 3.5-3.75%, consistent with our view of neutral. Risks around this view are balanced. (24/Jul/25) [Fed Notes: July FOMC preview: See you on the other side \(of tariff inflation\)](#)

Treasury and SOFR latest baseline forecast and scenario analysis till Q1-26: 10y UST is projected to reach 4.45% by the end of 2025 (27/Apr/25): [US Strategy Update: Updated US rates forecast](#)

Refunding preview (25/Jul/25): [Fixed Income Blog: Refunding preview: Curb your enthusiasm](#)

Fed independence (18/Jul/25): [Fixed Income Chart Of The Day: Fed independence and the curve](#)

Treasury debt costs (23/Jul/25): [US Economic Perspectives: Removing Powell won't move the needle on Treasury debt costs](#)

Terminal rate (22/Jul/25): [Fixed Income Blog: A look at terminal Fed rate pricing](#)

Bill supply (07/Jul/25): [Fixed Income Blog: Post debt ceiling update: Bill supply and TGA outlook](#)

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SLR reform proposal (27/Jun/25): [Fixed Income Blog: Thoughts on the Fed's SLR reform proposal](#); (10/Jan/2025): [Fixed Income Chart Of The Day: How much is SLR reform worth in swap spreads](#)

Treasury swap spread models: current model outputs suggest that 2y, 5y, and 10y spreads appear cheap relative to fair value (with 5y most dislocated), while 30y spreads are rich. (9/May/25): [Fixed Income Blog: A swap spread fair-value framework](#)

Treasury holdings: 1) 20/Jun/25: [Fixed Income Chart Of The Day: Foreign allocation to long-term Treasuries and UST term premium](#) 2) 17/Jun/25: [Fixed Income Blog: Who really owns U.S. Treasuries? Adjusting for custodial bias in the data](#) 3) monthly: US Economic Chartbook: [Who is buying Treasuries, mortgages, credit and munis? \(June 2025\)](#)

Treasury may not be a good hedge in the current macro backdrop: 1) 26/Mar/25: [Fixed Income Chart Of The Day: Making the implausible happen again?](#); 2) 1/Apr/25: [Fixed Income Chart Of The Day: A High Hurdle for USTs](#)

Implied repo rate spreads hit their widest levels in at least two years post Liberation Day, before retracing back within the historical range (16/Apr/25): [Fixed Income Blog: Treasury basis during the tariff tantrum](#)

US credit ratings (19/May/25): [Fixed Income Blog: This downgrade is different](#)

IORB (12/Jun/25): [Fixed Income Blog: Ending IORB wouldn't do what some think](#)

## EUR:

Latest ECB path assumptions: DB's new baseline sees 2% as the terminal rate, with the first hike in December 2026, and hikes to 2.50% in 2027 and 2.75% in 2028. (29/Jul/25): [Europe Blog: ECB Call Update: 2% terminal rate, further easing only a risk](#)

Bund forecasts till Q4-25: We expect long-term interest rates to rise further, as our year-end forecast has the Bund 10Y yield at 3%. (2/Jun/25): [World Outlook: The Limitations of Liberation](#)

Bund forecast framework: (25/Apr/25): [Fixed Income Blog: Bund forecast - Mark to market](#)

The last two hurdles standing in front of higher Bund yields are (1) the July 9th tariff deadline and (2) the bond bullish seasonal pattern that typically lasts until mid-August. (3/Jul/25): [Fixed Income Blog: The last hurdles](#)

In the early 90s, the equilibrium level of interest rates in what would now constitute the euro area increased by more than 1%. In contrast, 2y1y estr has remained relatively stable over the past 9-months around 2%. (30/Jun/25): [Fixed Income Blog: German Fiscal Stimulus: Higher Equilibrium Rates Ahead](#)

While a return to zero is symbolic, we see very limited read across for euro rates. (18/Jun/25): [Fixed Income Blog: The return of ZIRP in Switzerland - a read across for euro rates](#)

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EUR STIR (14/Jul/25): [Fixed Income Blog: EUR STIR and Liquidity Chartbook July 2025](#)

German government bond issuance estimates post Q3 supply calendar revisions (30/Jun/25): [Fixed Income Chart Of The Day: Shhh... it begins - German fiscal & supply impact](#)

2025 H2 syndication forecast (9/Jun/25): [Fixed Income Blog: EGB Syndications Update](#)

Total EGB 2025 issuance estimates before German fiscal reform (09/Jan/25): [Fixed Income Blog: Final Update of 2025 EGB Supply](#)

German Supply Revisions (30/May/25): [Fixed Income Blog: History of German Supply Revisions](#)

EGB holdings, flows and “free float” using multiple data sources (09/May/25): [Fixed Income Blog: All you need to know on EGB holdings](#)

Granular EGB and UKT latest supply (every Friday): [Eurozone and UK Sovereign Issuance - Deutsche Bank Research](#)

EGB RV framework (biweekly): [Fixed Income Blog: EGBs Relative Value Corner](#)

German fiscal policy space based on twin deficits (04/Nov/24): [Fixed Income Blog: German fiscal policy: should they? can they? will they?](#)

Bund spread tighteners (25/Jun/25): [Fixed Income Blog: Returning to Bund spread tighteners](#)

ETF inflows into EUR rates (16/Jul/25): [Fixed Income Chart Of The Day: Inflows into EUR fixed income ETFs remain limited](#)

The shift in hedging footprint in starting to have an impact (08/Jul/25): [Fixed Income Chart Of The Day: The impact of pension reform and fiscal news on 10s30s term premia so far](#)

Dutch pension reform (17/Feb/25): [Fixed Income Blog: Dutch pension reform and the rates market](#)

Dutch pension reform update (13/May/25): [Fixed Income Blog: Dutch funding ratios amidst the turmoil](#)

**JPY:**

Latest assumptions on BoJ path: Considering these changes, we have determined that it is necessary to revise our monetary policy outlook again. We now expect the next rate hike to occur in October 2025, followed by subsequent hikes in January and July 2026, bringing the policy interest rate to 1.25%. This implies a return to the original pace of interest rate hikes, which had been delayed by U.S. tariff policies. (25/Jul/2025): [Japan Monetary Policy Watch : July MPM preview and changes in outlook](#)

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BoJ's JGB purchase plan (17/Jun/25): [Japan Monetary Policy Watch : Deliberate balance: unveiling the nuances of the BoJ's decision](#)

Several factors may be contributing to the steepening of the yield curve (16/Jun/25):  
[Japan Economic Notes: Thoughts on the rise of super-long JGB yields](#)

Firstly, the US and Japan have agreed on a better-than-expected trade deal. Meanwhile, underlying inflation in Japan remains on a firmly upward trend. Taken together, conditions are falling into place for the BoJ to hike policy rates towards at least neutral, if not restrictive, territory. (25/Jul/25) [Fixed Income Blog: On track](#)

Japanese investment flows into France, Italy, Germany, Netherlands, UK, US and Australia (monthly): [Fixed Income Blog: Japan International Transactions - Foreign bond flows \(May 2025\)](#)

Nominal growth around 4% (where Japan is) is consistent with a policy rate comfortably over 1%. (15/Jul/25): [FX Blog: How much could yen weaken?](#)

While long-end JGB yields are at multi-year highs, there are limited signs of repatriation by Japanese institutions back into JGBs. (23/Jul/25) [FX Blog: Seeing Fuji through the clouds](#)

#### **GBP:**

Latest assumptions on BoE path: We continue to see three quarter-point rate cuts in the second half of the year, and one further rate cut in February next year, taking our terminal Bank Rate forecast to 3.25% - in line with our longstanding view. (19/Jun/25): [UK economic notes: BoE Recap - sweating it out until summer](#)

The spending review (6/Jun/25): [UK Chart Of The Week: The Spending Review: How sustainable?](#)

Our basecase is for the MPC to match market expectations, lowering its QT envelope from GBP 100bn to GBP 75bn in 2025/26 (23/Jul/2025): [UK economic notes: QT: Gradual And Careful?](#)

UK long end (04/Jul/25) [Fixed Income Blog: Deconstructing the Cheapness of the UK Long End](#)

A new regime for gilts (30/May/25): [UK Chart Of The Week: A new regime for gilts?](#)

Gilt issuance (23/Apr/25): [UK Chart Of The Week: Issuance assurance](#)

#### **AUD:**

Latest assumptions on RBA path: we continue to expect a 25bp rate cut in August, and we now expect further 25bp cuts in September and November. (8/Jul/25): [RBA Blog: Policy rate left unchanged in a 6-3 split vote that hinged on "timing"](#)

AUD/USD remains on-track to meet or exceed our year-end target of 0.67. (21/Jul/25): [FX Blog: AUD's \(positive\) turning points](#)

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## NZD:

Latest assumptions on RBNZ path: we now expect a cut in August and our terminal rate f 3% by the end of 2025 remains in place (9/Jul/25): [Macro Notes: RBNZ holds but points to August cut which is now our base case](#)

Coming from a deep recession and significant excess capacity, NZ only managed patchy signs of recovery in Q1, and forward-looking indicators have shown renewed signs of weakness. (21/Jul/25): [FX Blog: The outliers - sell NZD/NOK](#)

Current accounts do seem to matter for sovereign rates when times get turbulent. New Zealand, with the largest current account deficit in the G10, has seen the largest rise in 10yr yields recently. NZ's twin deficits looked vulnerable, especially in the face of downside risks to global growth, so a rise in term premia there looked likely. (10/Apr/25): [FX Blog: When current accounts matter](#)

## CAD:

Canada has the best data surprises in G10, robust inflation, a government planning to lift capex, and the potential for some repatriation from its large offshore holdings. (22/Jul/25): [FX Blog: Canada - waiting for something better](#)

Canada sold a huge amount of US portfolio assets in April, with UK offsetting that (26/Jun/25): [FX Blog: Is the clock TICing on US asset sell-downs? A hint from Canada](#)

CAD's oil beta vs the USD has sunk alongside rising USD-oil correlations (24/Jun/25): [FX Blog: The fall of oil as a USD/CAD driver: What's taking its place?](#)

Canadians have been heavy buyers of US fixed income, taking on 12% of total foreign demand in the last three years, about double the historic average. (17/Jun/25): [FX Blog: O Canada, that's a lot of US exposure](#)

The main underlying inflation metrics have been curling up, and surprising recently, but alternative measures of underlying inflation are better behaved. (2/Jun/25): [FX Blog: Dovish BoC risks could weigh on CAD](#)

With the BoC priced to be one of the most hawkish across G10, they will likely need to ease beyond current market expectations. Less than two full cuts are priced through YE2025, but with inflation still within the BoC's target range there is further scope to ease if current labour market trends persist. In our view, at least another additional full cut should get priced to take BoC policy to at least 2%, just below the lower end of their estimated neutral range, i.e. 2.25%. (20/May/25): [FX Blueprint: Holes](#)

## CHF:

With the broader risk picture proving resilient and terminal rate expectations unlikely to materially shift, we stick with our franc shorts. (16/Jun/25): [FX Blog: Growing rates divergence and geopolitics](#)

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With ongoing trade negotiations with the US, and a limited domestic appetite for balance sheet expansion, further rate cuts remain the most likely policy tool. The retracement in rates pricing in recent days skews the event risk around the June meeting negatively for CHF, since a 25bp cut would no longer disappoint the market, with the option still on the table for the central bank to take the more aggressive option of taking rates negative in one step. (20/May/25): [FX Blueprint: Holes](#)

Switzerland, Japan, and Australia all had FX or USD exposure at or close to their highest levels vs history around the turn of the year. (9/Jun/25): [FX Special Report: An overview of developed market hedge ratios and currency exposure](#)

#### **SEK:**

Inflation is tracking a little lower than the central bank's forecasts, while both the backward-looking GDP data for Q1 and the forward-looking components of the business survey were weak. (16/Jun/25): [FX Blog: Growing rates divergence and geopolitics](#)

While the Riksbank reopened the door to further easing at their May meeting, the accompanying minutes do not point to an immediate hurry to restart cuts. (20/May/25): [FX Blueprint: Holes](#)

The market has flipped back to pricing more easing through the middle of this year, though for now we do not expect any further change in the policy rate this year, even if this remains very fluid. (23/Apr/25) [The Big FX View: The dollar bear market is finally here](#)

Swedish trade balance would benefit from ramped up European defence spending (26/Feb/25): [FX Blog: Sweden's support](#)

#### **NOK:**

The risks skew towards Norges not being able to follow through with two more cuts this year.(21/Jul/25): [FX Blog: The outliers - sell NZD/NOK](#)

NOK is priced to be the highest-yielding currency in G10 by the end of the year. (26/Feb/25): [FX Blog: Sweden's support](#)

(25/Nov.24): [FX Special Report: Time for Norges to take profit](#)

(27/Jun/23): [FX Special Report : A framework for Norges' FX flows](#)

#### **Other analytical frameworks:**

Three factors that would affect higher term premium (16/Jan/25): [Fixed Income Blog: The term premium stairs to level 5](#)

R-star estimate from bond-equity correlation (29/Mar/19): [Strategy Update : Equity implied r-star](#)

DB 5s10s term premium definition rationale (12/Feb/24): [Fixed Income Blog: O\(2\)ne-Beta-fits-all TP](#)

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DB 10s30s term premium definition rationale (10/May/24): [Fixed Income Blog: 10s30s TP: the alpha, the beta and the omega](#)

US term premium drivers (01/Nov/2023): [Fixed Income Blog: What drives term premia?](#)

Comparison between China and Japan (09/Oct/24): [Fixed Income Blog: A potential turning point in China](#)

G4 free float (price-sensitive investors' holdings) vs term premium (14/Jul/25): [Fixed Income Blog: G4 Free Float Update after the Big Budget Bills](#)

Valuation, Liquidity, Positioning, Flows (quarterly): [Valuation, Liquidity, Positioning, Flows - Deutsche Bank Research](#)

US CFTC positioning and flows (weekly): [Commitment of Traders: Weekly Update](#)

ETF inflows into EUR rates (16/Jul/25): [Fixed Income Chart Of The Day: Inflows into EUR fixed income ETFs remain limited](#)



# Bond Market Strategy

## Decoding EGB & G10 Yield Differentials: A Twin Deficit Perspective

When it comes to assessing the fair value of yield differentials across countries, part of a monetary union or not, one of our favourite metrics has been the Twin Deficit, ie. the combined Current and Budget Account Deficits. Historically, we've been using this metric to monitor EGB spreads (in particular the richness of OATs and cheapness of BTPs), but lately we've expanded this framework to assess G10 yields, prompted by the trade war. In this context, we've stressed the important role of a country's external position (as opposed to debt/GDP), especially in times of crisis and/or reallocation/repatriation flows.

This piece provides an in-depth review of the Twin Deficit framework, applying it to both EGB and G10 yields. We examine the relative explanatory and predictive power of the current account vs the budget account components. It's important to note that the Twin Deficit model isn't intended as a dynamic intra-year trading model. The explanatory variables are annual in most cases, hence this framework is better suited for identifying structural dislocations which typically take longer to mean revert.

Furthermore, greater explanatory power doesn't automatically translate to higher predictive power. To assess the mean reversion of residuals over time, we conduct a trade back-testing comparison of the various explanatory variables based on simple trade initiation rules.

Our findings confirm that, within both EGBs and G10, the current account demonstrates greater explanatory and predictive power than the budget account, particularly around crisis episodes. While debt/GDP exhibits significant explanatory power in mapping yield differentials across EGBs, it performs poorly when it comes to the mean reversion of residuals, especially around crisis episodes. In G10, debt/GDP has very limited explanatory power, likely because it doesn't account for the different YCC/OE/QT programmes across countries, which lead to significant differences in free float.

### 1. Twin Deficit Framework

**Creation of the Twin Deficit Score:** The twin deficit is simply the sum of the current account and budget account deficits (or surplus) of each country. Our data source is the IMF World Economic Outlook, which also contains forecasts for the next 5 years. In our model we are using what we call the Twin Deficit Score, which is a synthetic weighted average of the twin deficit variable in different time periods. The goal here is to create a variable that incorporates both flow and stock characteristics. The current year's twin deficit (TDt) is assigned the largest weight, the past 5 years' twin deficits are also assigned decreasing weights (TDt-5 to TDt-1), while we also incorporate the cumulative twin deficits from 1999 up until t-6. The respective weights are shown in [Figure 72](#). For illustration, in [Figure 73](#) we show the Twin Deficit Score vs the annual Twin Deficit in the case of Italy. The Twin Deficit Score ends up being smoother than the more volatile annual Twin Deficit numbers. The next 5 years' projections can also be seen in the chart.

### Ioannis Sokos

Strategist  
+44-20-754-75680  
[ioannis.sokos@db.com](mailto:ioannis.sokos@db.com)

### Mingyue Xin

Strategist  
+44-20-754-10002  
[mingyue.xin@db.com](mailto:mingyue.xin@db.com)

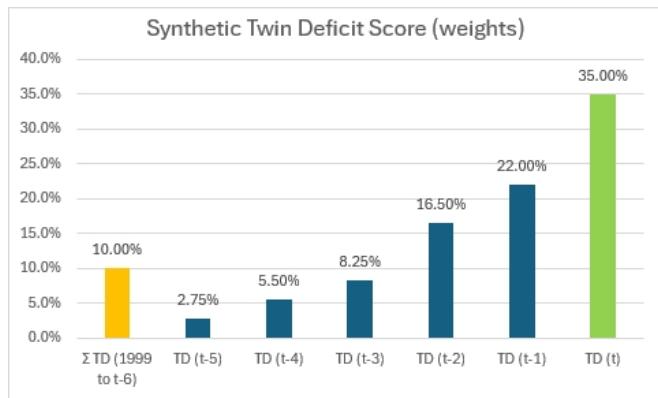
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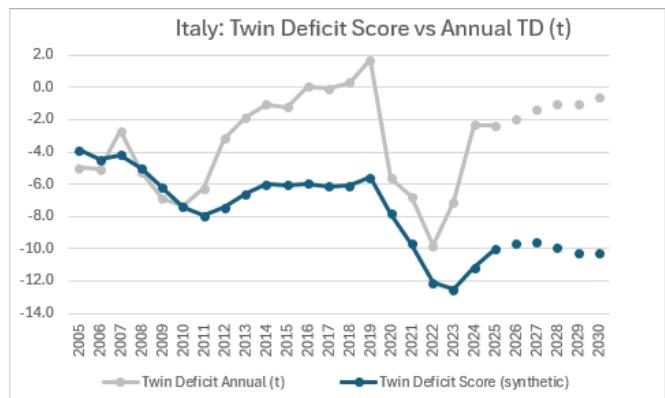


Figure 72: Creation of the Twin Deficit Score



Source : Deutsche Bank

Figure 73: Twin Deficit Score vs Annual TD in the case of Italy

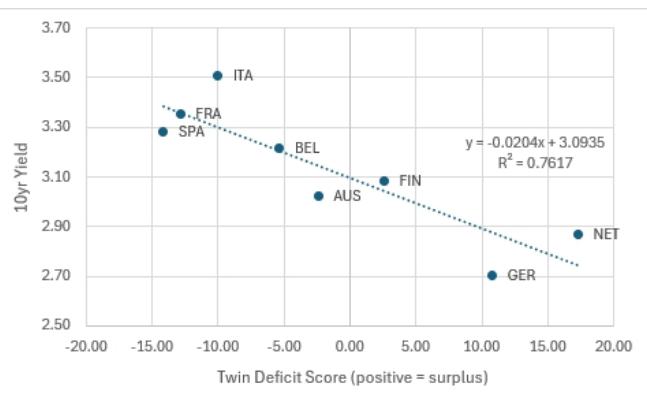


Source : Deutsche Bank, IMF

**Regressions:** In the case of EGB yields, we focus on the following countries: Germany, Netherlands, Austria, Finland, France, Belgium, Spain, Italy. We avoid the less liquid and more volatile smaller countries such as Greece, Portugal and Ireland for the sake of this exercise. Once we have created the Twin Deficit Scores of all these countries, we proceed with regressing them vs the 10y yield of each country. This mapping yields a constant, a slope and an R squared. Keep in mind that this isn't a time series regression, since Twin Deficits alone would fail to capture the ups and down in government bond yields over time. Instead, this is simply a time snapshot, and it allows us to obtain a time series of the aforementioned regression coefficients.

The current mapping of 10yr EGB yields vs Twin Deficit Scores (2025) can be seen in [Figure 74](#). The respective residuals are shown in [Figure 75](#). Italy and the Netherlands appear cheap while Germany, Austria and Spain appear rich. Finland, Belgium and France are close to the fair value line.

Figure 74: Current mapping of Twin Deficit Score vs 10yr EGBs



Source : Deutsche Bank, Bloomberg Finance LP

Figure 75: Current residuals (positive = cheap)



Source : Deutsche Bank, Bloomberg Finance LP

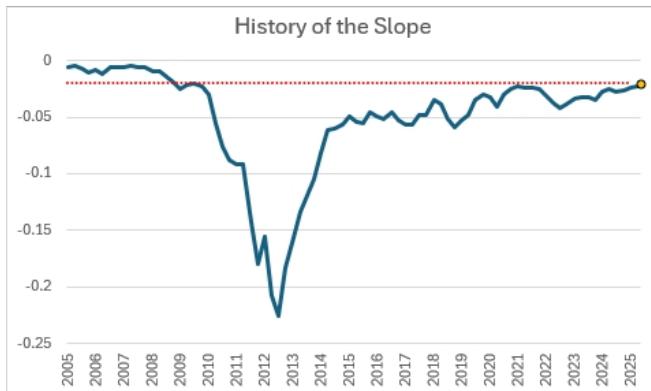
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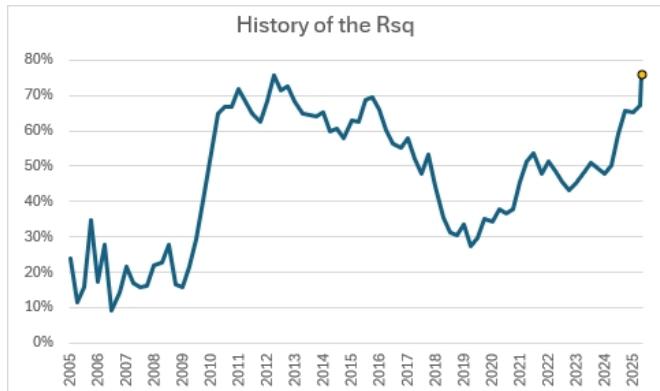
**Coefficients:** The respective evolution of the regressions' slope is shown in [Figure 76](#). The slope can be interpreted as a proxy for the market value of risk, i.e., the compensation required by investors to take on a worse twin deficit score. This is very low at the moment, indicative of the persistent risk-on momentum in markets, as well as the convergence in EGB spreads. In [Figure 77](#) we show the evolution of the explanatory power of these regressions which is currently peaking vs history. This is the result of quarterly regressions where we're using the average EGB yields during each quarter.

Figure 76: Evolution of the regressions' slope



Source : Deutsche Bank, Bloomberg Finance LP

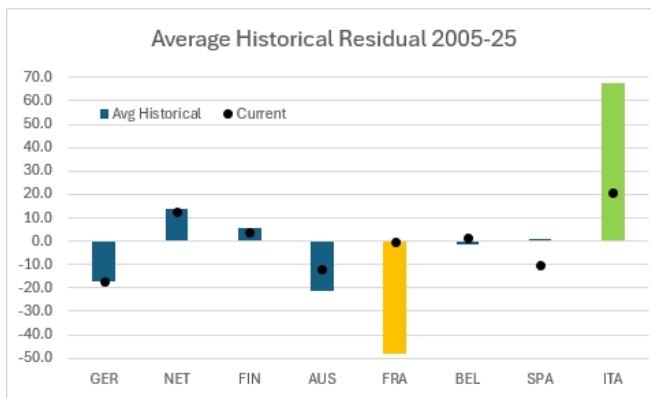
Figure 77: Evolution of the regressions' Rsq



Source : Deutsche Bank, Bloomberg Finance LP

**Residuals:** It's worth underlining that since the aforementioned regressions do not involve time series but only isolated points in time, cumulative historical residuals of single countries do not have to add up to zero. Only the sum of all countries' residuals at each point in time sum up to zero. In fact, [Figure 78](#) shows the average historical residuals over the past 20 years with Italy being persistently cheap vs its peers and France being persistently rich. However, as is shown in [Figure 79](#), this gap has closed considerably over the past year. This also explains the aforementioned spike in Rsq lately. On the contrary, Germany's persistently negative residual is probably indicative of a liquidity/safe heaven premium which makes DBRs look rich within our TD framework.

Figure 78: Average historical residuals in 2005-2025



Source : Deutsche Bank, Bloomberg Finance LP

Figure 79: Evolution of Italy's vs France's residuals



Source : Deutsche Bank, Bloomberg Finance LP

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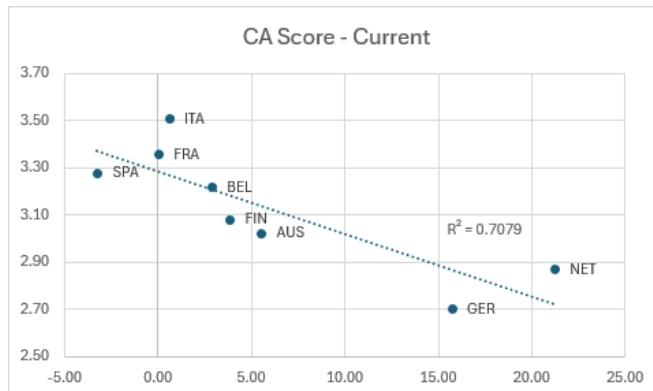
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## 2. Decomposition to Current vs Budget Account & Other Alternatives

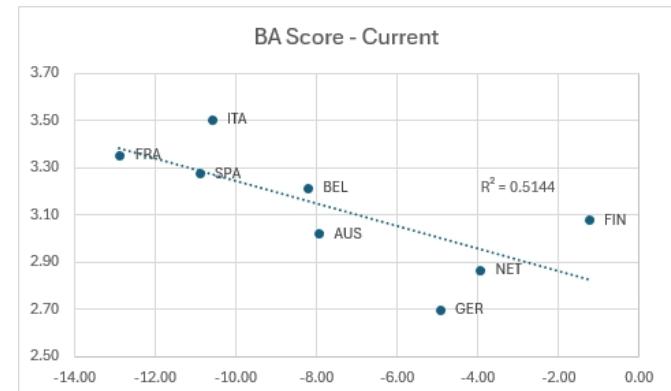
**Current vs Budget Account Components:** Since the Twin Deficit is composed of the Current plus Budget Account, it makes sense to explore which of the two components has a higher explanatory power when it comes to EGB yields. We use the same “score” definition for these sub-components—i.e., the weighted average explained in the previous section. As is shown in [Figure 80](#) and [Figure 81](#), the Current Account has a better fit at the current juncture than the Budget Account. Moreover, the countries’ relative scores appear more intuitive under the Current Account Score with Germany and the Netherlands ranking much better than their peers while under the Budget Account it’s Finland which ranks first. We still think that the combined Twin Deficit approach is the optimal expression, nonetheless it’s still informative to decompose into Current vs Budget accounts.

Figure 80: Current mapping of CA score vs 10y EGB yields



Source : Deutsche Bank, Bloomberg Finance LP

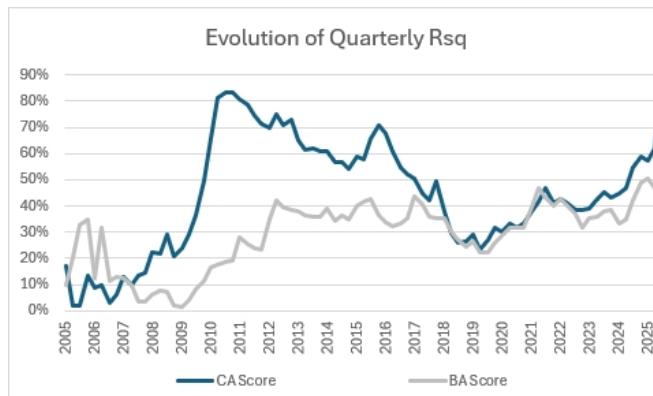
Figure 81: Current mapping of BA score vs 10y EGB yields



Source : Deutsche Bank, Bloomberg Finance LP

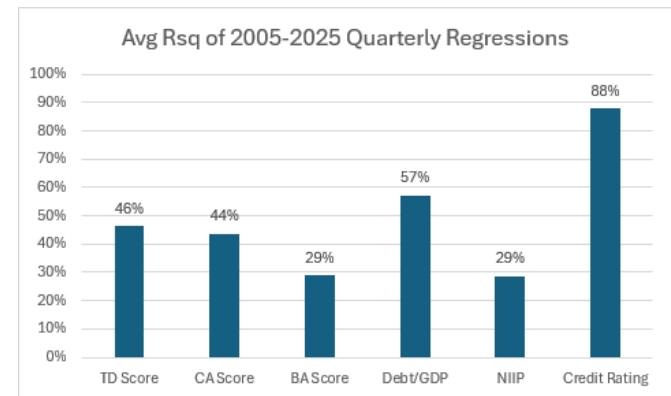
Historically, Current Account also performs better than the Budget Account as is shown in the evolution of Rsq in [Figure 82](#). Also worth flagging that the Current Account’s outperformance is more evident during the Eurozone debt crisis period, especially in 2010-12, as well as in the past few months with Rsq on the rise. This is in line with our intuition that especially in times of crisis the external position of a country matters more than its debt dynamics.

Figure 82: Rsq comparison of Current vs Budget account score



Source : Deutsche Bank, Bloomberg Finance LP

Figure 83: Broader comparison to other variables



Source : Deutsche Bank, Bloomberg Finance LP

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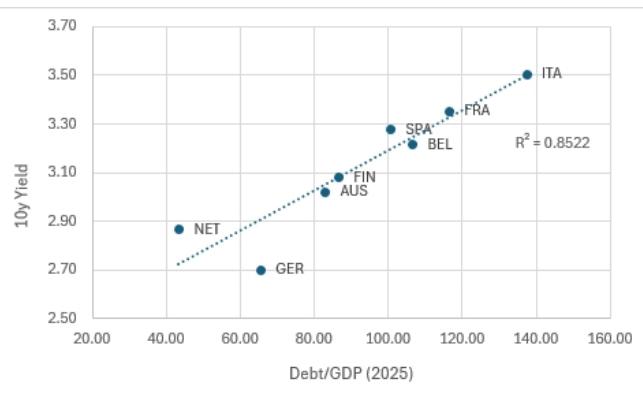
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**Comparison to Other Variables:** Next we broaden our explanatory variables to include Debt/GDP ratio, NIIP (% of GDP) and Credit Ratings. A comparison of the average historical Rsq is shown in [Figure 83](#). The Debt/GDP and especially the average Credit Rating appear to have a higher explanatory power than the Twin Deficit Score. In the case of credit ratings, this shouldn't be a surprise since these can be quickly adjusted to reflect the big moves in credit spreads (see the series of downgrades during the Eurozone debt crisis), thereby leading to a better fit. This shouldn't translate to better predictive power though, since there is a clear lead/lag relationship—i.e., the market leads and ratings usually lag.

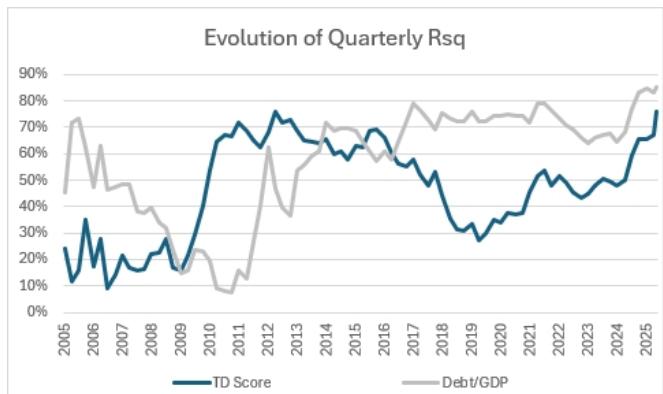
Debt/GDP on the other hand is a very important variable and intuitively it should matter a lot when it comes to explaining yield differentials across countries. [Figure 84](#) shows the current mapping vs 10y EGB yields. The fit is currently better than the one of the Twin Deficit Score shown in [Figure 74](#). Although on average debt/GDP has a higher explanatory power than the Twin Deficit Score, this wasn't the case during the Eurozone debt crisis as is shown in [Figure 85](#). Our Twin Deficit Score already partially incorporates some proxy of debt/GDP through the recent history of budget deficits and especially the cumulative amount since 1999. Our main critique of using debt/GDP in isolation is that it's too static and backward looking. In the next section we show that despite its higher explanatory power vs the Twin Deficit Score, it has a worse predictive power.

Figure 84: Current mapping of Debt/GDP vs 10y EGB yields



Source : Deutsche Bank, Bloomberg Finance LP

Figure 85: Historical Rsq comparison of TD score vs Debt/GDP



Source : Deutsche Bank

### 3. Predictive Power Comparison – PnL Backtesting

**Rsq ≠ Predictive Power:** So far we've been comparing different explanatory variables on the back of the various regressions' fit (Rsq statistic). While this is an important input, it doesn't always lead to a higher predictive power. This is especially true given that our framework doesn't entail time series regressions, but separate ones for each point in time. Moreover, as we've explained for Credit Ratings, sometimes the X variable is adjusted to fit the Y variable, which by definition shouldn't translate to a high predictive power. To compare each model's predictive power we conduct a PnL backtesting exercise based on some simple entry/exit trade rules.

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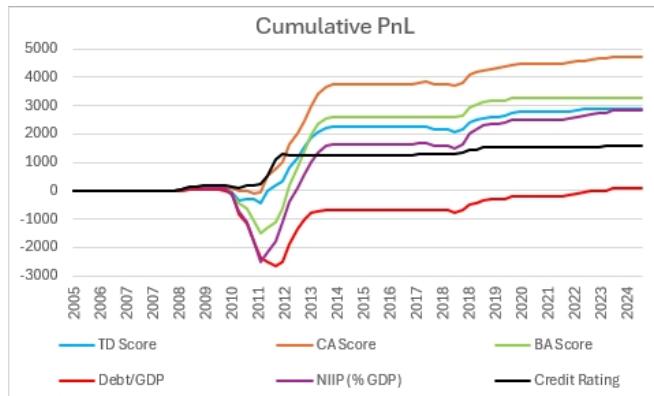
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**Back-testing model:** For the period of 2005-2024 we conduct quarterly regressions of 10yr EGB yields vs the various explanatory variables we examine: Twin Deficit (TD) Score, Current Account (CA) Score, Budget Account (BA) Score, Debt/GDP, NIIP (% of GDP) and average Credit Rating of each country. This leads to a time series of country residuals vs each explanatory variable. We then estimate the standard deviation of each country's residuals, which we will use as a trade-entry criterion. We set the holding period to 1 year, and the entry criteria to 2 x standard deviation of each country. In other words, if a country's residual is larger than 2 x standard deviations of its residuals' history, we enter a trade which we hold for 1 year.

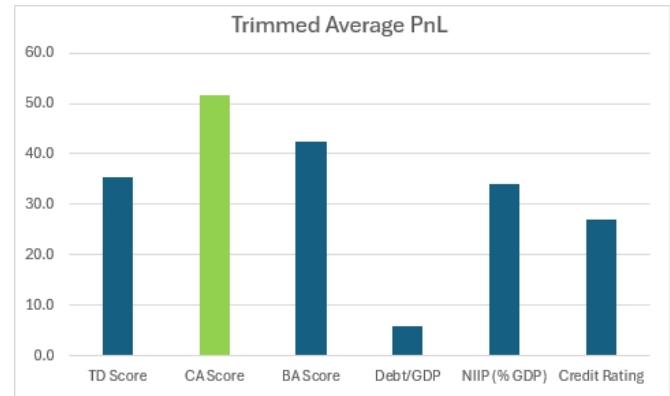
If the signal is a "Buy" (positive residual) then we sell against it the basket (average) of all countries with a negative residual, irrespective of their magnitude. Essentially, we anticipate a compression between the country which gave the "Buy" signal vs all the countries which are trading rich vs the fair value line. We do the reverse in case of a "Sell" signal.

Figure 86: Cumulative PnL 2005-2024



Source : Deutsche Bank

Figure 87: Trimmed average PnL



Source : Deutsche Bank

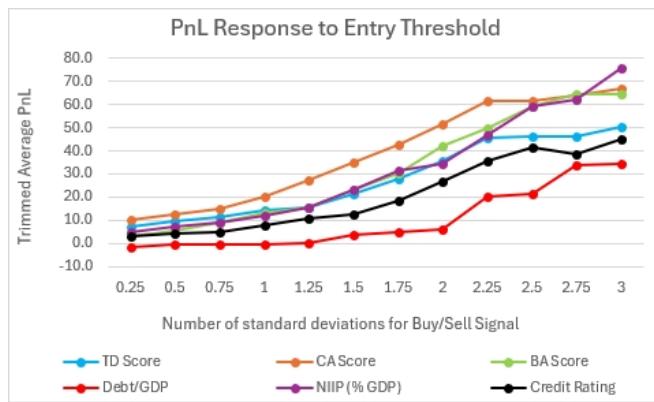
**PnL Comparison:** [Figure 86](#) shows the cumulative PnL of each model and [Figure 87](#) the trimmed average PnL. Under these trading model specifications, the CA Score has the highest predictive power of all models. Debt/GDP on the other hand has the lowest performance, followed by Credit Ratings. These results indeed confirm that a high Rsq doesn't always lead to a higher predictive power. Moreover, the results are robust with respect to different entry threshold criteria (i.e., changing the number of standard deviations for buy/sell signal) as is shown in [Figure 88](#). Stricter entry criteria lead to a higher average PnL while the performance of each model relative to its peers is more or less maintained.

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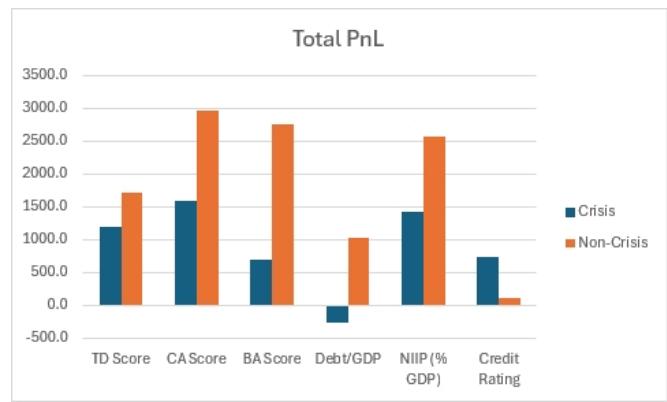


Figure 88: Robustness to different entry thresholds



Source : Deutsche Bank

Figure 89: Breakdown of PnL to crisis vs non-crisis periods



Source : Deutsche Bank

**Crisis vs non-Crisis:** In [Figure 89](#) we break down the total PnL of each model to crisis vs non-crisis periods. In the crisis sample we've included the GFC, Eurozone debt crisis, Italian political crisis and Covid. As we've commented earlier, debt/GDP & Budget Account score do not perform well in crisis periods whereas the external position becomes more important (TD, CA, NIIP).

#### 4. Application to G10 Yields

Next, we expand our framework beyond EGB yields, focusing on G10 yields. Specifically, we include the US, Euro Area (proxied by GDP-weighted EGBs), the UK, Japan, Canada, Australia, New Zealand, Sweden and Switzerland. We exclude Norway due to its illiquidity and the requirement for further adjustments, given the "double-counting" effect of oil & gas exports and investment restrictions in their sovereign fund mandate.

[Figure 90](#) exhibits the latest mapping between G10 countries' twin deficit scores and their government bond yield levels. JGB, Swiss government bonds and UST look rich, while Swedish government bonds, NZGBs, ACGBs and Canadian government bonds look cheap in the cross-country comparison ([Figure 91](#)).

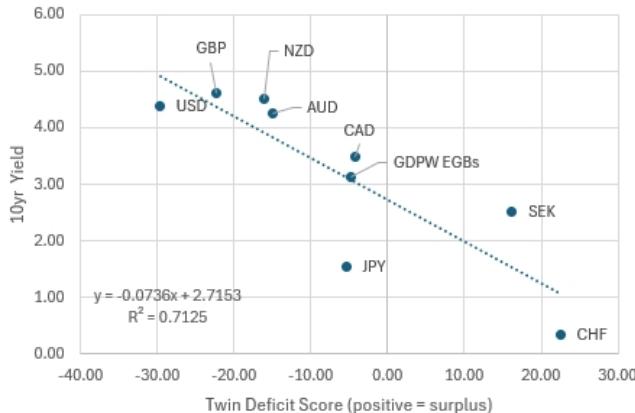
As discussed in 1. Twin Deficit Framework, the slope indicates that the current market value of risk is at a historically high level, in contrast to the EGB mapping. This aligns with the recent surge in global uncertainty surrounding trade, political and fiscal policy. However, keep in mind that the explanatory power of the twin deficit score in G10 has only been above 30% since 2015 ([Figure 92](#)), indicating caution is needed when interpreting the market value of risk.

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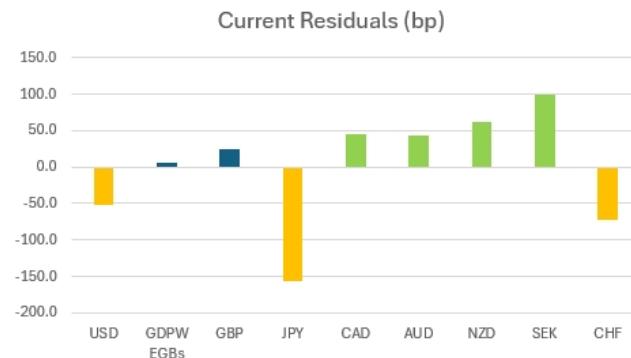


**Figure 90: Current mapping of Twin Deficit Score vs 10yr yield**



Source : Deutsche Bank, Bloomberg Finance LP

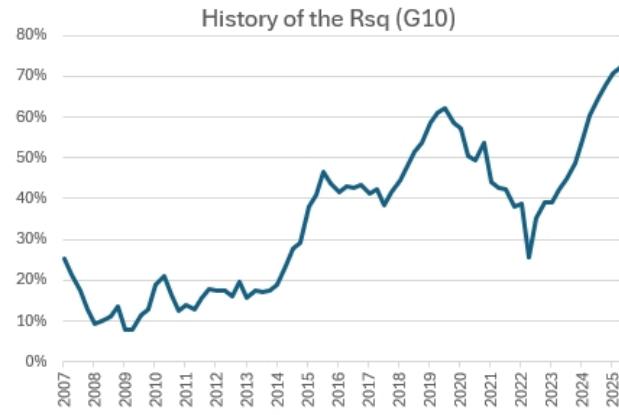
**Figure 91: Current residuals (positive = cheap)**



Source : Deutsche Bank, Bloomberg Finance LP

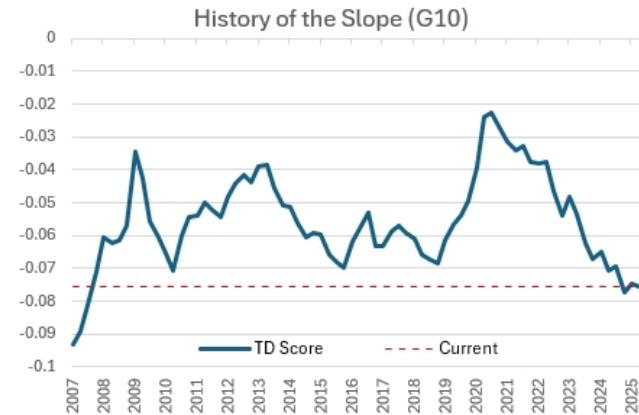
Also, given the countries located in the bottom-right corner (i.e., Japan and Switzerland) are less volatile and somewhat anchored due to their safe-haven status and intervention from domestic authorities, it is the upper-left countries' (e.g., US and UK) yield levels that drive the evolution in the slope ([Figure 93](#)). This weakens the validity of using the slope as a measure of global market risks.

**Figure 92: Evolution of the regressions' Rsq**



Source : Deutsche Bank, Bloomberg Finance LP

**Figure 93: Evolution of the regressions' slope**



Source : Deutsche Bank, Bloomberg Finance LP

Similar to the EGB mapping, there are also countries that historically have looked rich/cheap ([Figure 94](#)) due to various technical reasons. For example, partly due to [YCC](#) and QE in Japan, JGBs consistently deviate from their twin deficit score implied value by over 100bp. Switzerland also looks consistently rich as it used to intervene in its FX market via rates policy, and the scarcity of its bonds also enriches the price. US Treasuries have also been trading rich historically, given their reserve currency status.

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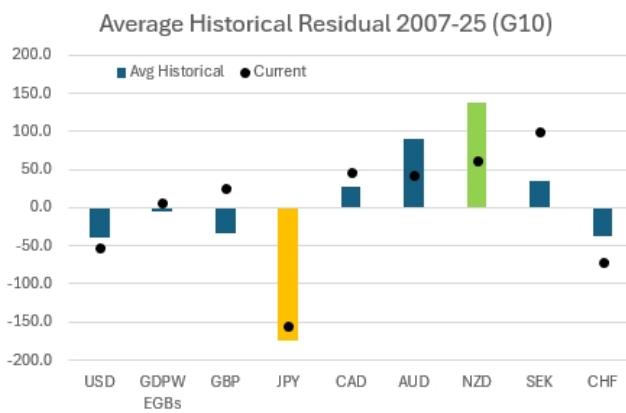
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While on the other side of the mapping, NZGBs have also looked cheap for a long time, partly due to the fact that it has one of the worst [current account](#) deficits within G10. Its composition is also different from other countries with current account deficits such as the US, as a large portion of New Zealand's current account is primary income deficits. As a relatively illiquid and small market, New Zealand's exports are also made up of more produce, and the low saving rate makes it more reliant on foreign financing sources. It is also unable to benefit from the similar natural demand for UST. Hence the illiquidity and fundamentals contribute to the cheapness of NZGBs.

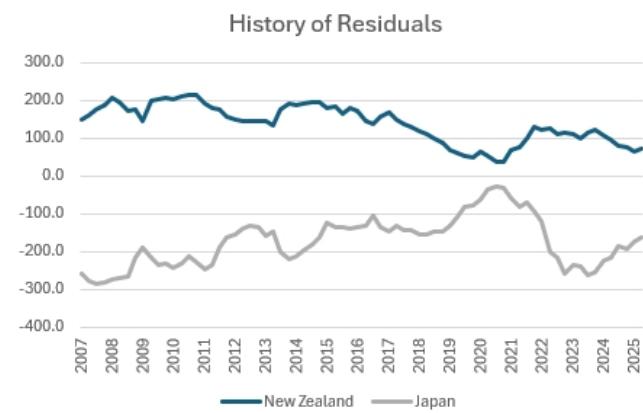
In addition, Swedish government bonds tend to look cheap, and there might be some other alternative explanation in terms of the composition of its twin deficits. For example, [merchanning](#) accounts for a large portion of the current account in small open economies such as Sweden, which are more exposed to global trade policy changes. However, recently the gap between NZGB and JGB has narrowed further ([Figure 95](#)) which also contributed to the increase in R-squared.

Figure 94: Average historical residuals in 2007-2025



Source :Deutsche Bank, Bloomberg Finance LP

Figure 95: Evolution of New Zealand's vs Japan's residuals



Source :Deutsche Bank, Bloomberg Finance LP

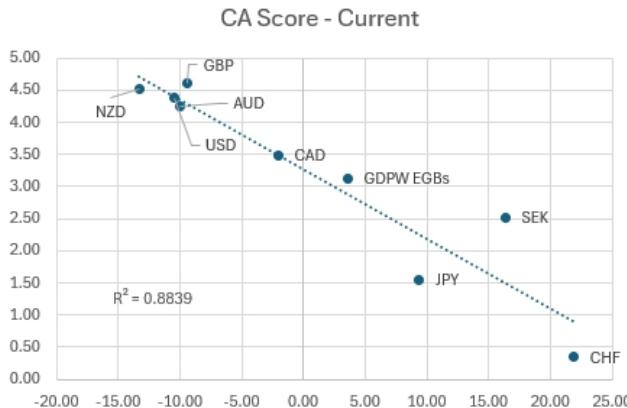
Next, we further break down the twin deficit scores into current account scores ([Figure 96](#)) and budget account scores ([Figure 97](#)). These convey similar information to the EGB mapping: the current account score has better explanatory power than the budget account, and the strong relationship between current account score and yield level is fairly stable over the years ([Figure 98](#)).

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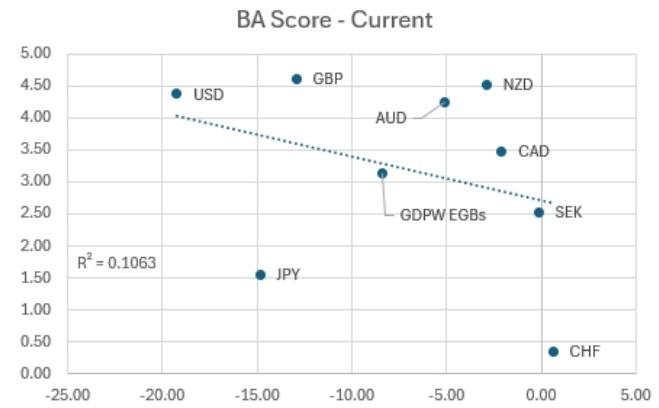


Figure 96: Current mapping of CA score vs 10y G10 yields



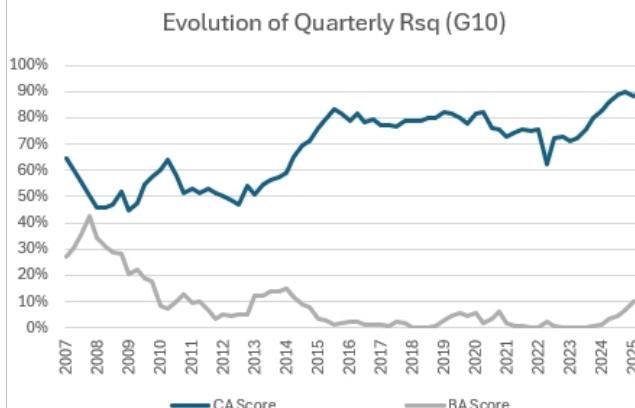
Source :Deutsche Bank, Bloomberg Finance LP

Figure 97: Current mapping of BA score vs 10y G10 yields



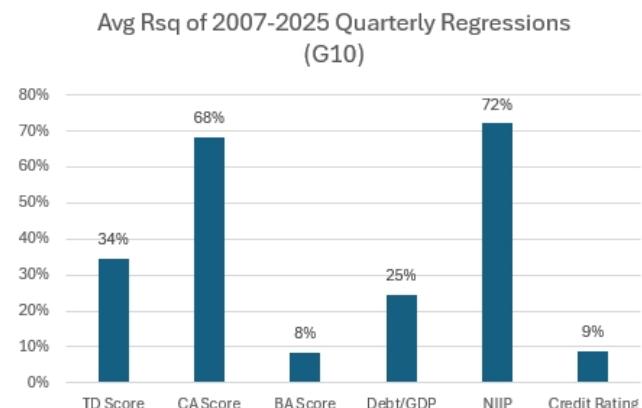
Source :Deutsche Bank, Bloomberg Finance LP

Figure 98: Rsq comparison of Current vs Budget account score



Source :Deutsche Bank, Bloomberg Finance LP

Figure 99: Broader comparison to other variables (G10)



Source :Deutsche Bank, Bloomberg Finance LP

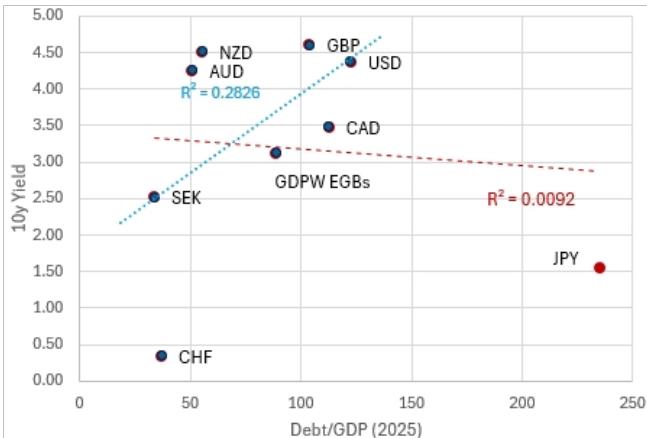
Such a steady relationship also exists between NIIP and yield levels (Figure 99), given that NIIP can be viewed as another means of measuring the historical cumulative current account balance. However, in contrast to the EGB mapping, debt/GDP and credit ratings both have very low explanatory power. This is more evident in the debt/GDP mapping (Figure 100). Even if we exclude Japan as an outlier due to its previous [YCC](#), other countries still show a relatively weak correlation with the yield level after global central banks started various phases and scope of QE around 2010 (Figure 101). As for credit rating, historically most G10 countries have the same "AAA" ratings, which therefore is not able to explain the difference in their yield levels.

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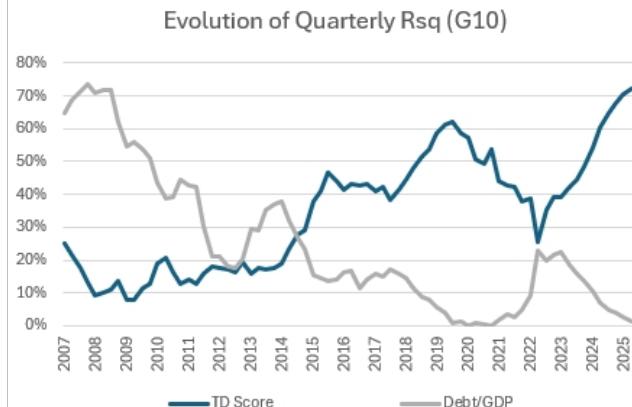


Figure 100: Current mapping of Debt/GDP vs 10y G10 yields



Source :Deutsche Bank, Bloomberg Finance LP

Figure 101: Historical Rsq comparison of TD score vs Debt/GDP



Source :Deutsche Bank, Bloomberg Finance LP

All in all, when it comes to G10 yields, the current account becomes even more important in explaining yield differentials across countries than it does for EGB yields. Variables such as debt/GDP and credit ratings are much less relevant in explaining such yield differentials.

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## Macro Portfolio Update

Figure 102: Macro portfolio update

Trade	Publication date	Exit Date	Maintain / Enter / Exit	Indicative Target	Indicative Stop	Comment
<b>USD</b>						
Long 5y5y US CPI	12-May-25		Maintain	260bp	230bp	<b>Rationale at inception:</b> Valuations particularly attractive. USD CPI significantly cheap relative to macro model, while inflation forwards are notably low relative to nominal term premia. Potential tariff roll-backs should support forward breakevens
<b>EUR</b>						
Short Bund	4-Mar-25		Maintain	300bp	230bp	<b>Rationale at inception:</b> With the debt brake reform in Germany, this "whatever it takes" moment is likely to result in a fiscal expansion commensurate with that of the German reunification.
BTP/OAT tightener	1-May-25		Maintain	10bp	27bp	<b>Rationale at inception:</b> Italy is likely to be one of the main beneficiaries of a positive supply shock to oil prices. <b>Update on 13/6/2025:</b> As the initial indicative target is met, we are revising it downward to 10bp and the indicative stop to 27bp.
<b>JP</b>						
Short 5y JGB #161	9-Oct-23		Maintain	125bp	65bp	<b>Update on 14/2/2025:</b> Raised the target to be consistent with the lower bound of our expected range for the terminal rate (1.5-2%). Adjusted the stop accordingly.
Long 30y JGB #86	14-Apr-25		Maintain	275bp	320bp	<b>Rationale at inception:</b> The long end of the JGB curve has underperformed relative to fundamentals, which is confirmed the fact that the EUR-JPY 20y10y differential has tightened significantly and is now back to its historical lows

Source :Deutsche Bank

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# Fixed Income Charts of the Week

We summarize our key views, as published over this week:

- Fixed Income Chart Of The Day: A slower post-debt ceiling TGA rebuild ([1 August 2025](#))
- Fixed Income Chart Of The Day: A tariff-inflation map ([31 July 2025](#))
- Fixed Income Chart Of The Day: The inflation undershoot and ECB pricing ([30 July 2025](#))
- Fixed Income Chart Of The Day: Risks of fiscal dominance ([29 July 2025](#))
- Fixed Income Chart Of The Day: Credit ratings' convergence between periphery & core/semi-core ([28 July 2025](#))

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## A slower post-debt ceiling TGA rebuild

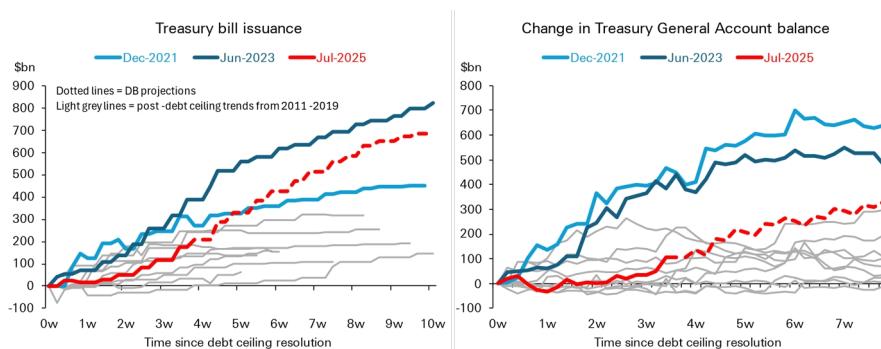
The ramp-up in bill supply to rebuild Treasury's cash balance has been notably more measured than in recent post-debt ceiling episodes. Through the first four weeks, Treasury bill issuance has totaled \$207bn, less than half of the \$446bn issued in June 2023 and less than the \$315bn seen in 2021. During the same timeframe, the TGA rose by only about \$100bn, compared to close to \$450bn in 2021 and 2023. So far, short-term markets have absorbed the increased bill supply and TGA drain with minimal disruption.

The slower pace largely reflects Treasury's relatively strong starting cash position. The TGA was plentiful at above \$300bn when the debt ceiling was lifted earlier this month – well above the sub-\$100bn levels seen in 2021 and 2023. We expect a TGA between \$480bn and \$650bn through mid-September before its balances rise toward Treasury's stated \$850bn target at quarter-end.

As TGA rebuilding continues, it will increasingly siphon liquidity from both the Fed ON RRP and bank reserve balances. At this week's quarterly refunding, the Treasury Borrowing Advisory Committee (TBAC) cautioned about potential funding stress around the September quarter-end. Besides typical dealer balance sheet constraints, we also anticipate a sizable coupon settlement (estimated at \$121bn) on September 30th, and ON RRP balances close to zero (see: "[The end of Fed RRP buffer](#)"). While reserves will likely still be comfortably above ample, the absence of a RRP backstop could fuel anxiety and increase the risk of self-fulfilling funding stress. Considering these negative dynamics, we are on the lookout for tighter funding conditions around late September, similar to last year.

*The 2025 Extel (formerly II) Global Fixed Income Research survey closes today. If you have valued our research this year and haven't voted yet, I'd be very grateful to have your 5-star vote. [Analyst info](#) and [voting link](#) here. Thank you for your support!*

**Figure 103: The post-debt ceiling Treasury bill issuance and TGA rebuilding have so far been more moderate than in recent years**



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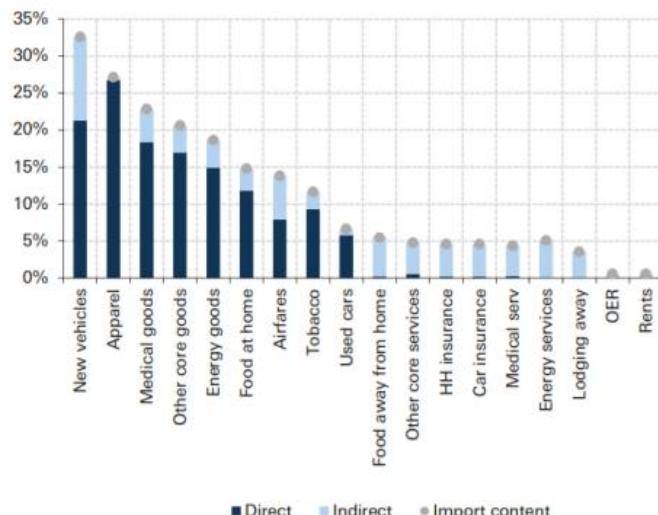
## A tariff-inflation map

We recently published a note discussing our framework for estimating changes to the average US import tariff rate and the implications for US CPI (see [here](#)).

We employ a bottom-up approach based on detailed trade data and tariff mapping to CPI categories. Specifically, we estimate the overall effective tariff rate as a weighted average of data for the main trading partners and product groups by using detailed HTS item codes, as defined in US administration documents of the various trade policies implemented since the start of the year. Incorporating the trade policies announced to date, we estimate the average tariff rate to increase by ~14pp.

To assess the potential pass-through of tariffs to inflation, we map direct and indirect import content as well as sector specific tariff rates to CPI categories. Adding up the direct impact from higher prices of imported consumer goods and the indirect impact from higher production costs as well as from domestic price adjustments, we estimate the first-round effect of tariff hikes to imply a ~0.9pp increase in the CPI.

**Figure 104: Direct/Indirect import content across CPI components (left-panel); estimated impact of tariffs across CPI components (right panel)**



CPI impact			
	Tariff rate	Impact	
	Direct	Direct	Indirect
<b>Headline CPI</b>		0.5%	0.4% <b>0.92%</b>
<b>Food</b>		0.9%	0.6% 1.5%
Food at home	15.6%	1.5%	0.8% 2.2%
Food away from home	0.0%	0.0%	0.4% 0.4%
<b>Energy</b>		0.0%	0.4% 0.4%
Energy goods	0.0%	0.0%	0.3% 0.3%
Energy services	0.0%	0.0%	0.4% 0.4%
<b>Core</b>		0.5%	0.4% 0.9%
<b>Core goods</b>		2.1%	1.0% 3.1%
Apparel	15.6%	3.3%	0.2% 3.6%
New vehicles	13.5%	2.3%	1.7% 4.0%
Used cars	13.5%	0.6%	0.8% 1.5%
Medical goods	14.7%	2.2%	1.0% 3.2%
Tobacco	15.6%	1.2%	0.2% 1.4%
Other core goods	14.7%	2.0%	1.1% 3.1%
<b>Core services</b>		0.0%	0.2% 0.2%
OER	0.0%	0.0%	0.0% 0.0%
Rents	0.0%	0.0%	0.0% 0.0%
Lodging away	0.0%	0.0%	0.3% 0.3%
HH insurance	0.0%	0.0%	0.4% 0.4%
Medical serv	0.0%	0.0%	0.4% 0.4%
Airfares	0.0%	0.0%	0.5% 0.5%
Car insurance	0.0%	0.0%	0.4% 0.4%
Other core services	0.0%	0.0%	0.4% 0.4%

Source : Deutsche Bank, Haver Analytics, BLS, BEA



## The inflation undershoot and ECB pricing

Euro terminal pricing is at post April-tariff announcement highs, implying 1.8% DFR at the time of writing. Hawkish messaging at last week's ECB meeting has reduced the odds of a September cut, which has been marginally offset by increases in implied cuts in subsequent meetings. The incremental flattening has also had the impact of pushing out the date of the trough out slightly towards mid 2026.

Today's FICOTD picks up on ECB President Lagarde's comment that the ECB can look through minor deviations in inflation.

Our [economists](#) have revised up the ECB call to 2%, and describe the risks of a further cut as a function of the undershoot in 2026 deepening or lengthening. We look to the Eurozone inflation fixings market to evaluate these two factors, and assess market pricing of cuts against it. The first proxy looks at the trough in inflation fixings out to Dec 2027, and the second evaluates the "recovery" as the time taken to reach the subsequent high in fixings over the same time period. This shows that the fixings implied that the undershoot reached a low in April, but has since recovered. Energy and currency developments will have played a role (oil in euro is a metric we have used to capture this in [another approach](#) to assess terminal rate pricing).

Assessing the duration of the undershoot is trickier; the recovery indicator is more volatile, subject to seasonality, and vulnerable to individual data points. Taking it at face value suggests no major shifts in the past couple of months. As it stands, even though the trough is short-lived, a sustained return to 2% is not wholly apparent over the period considered, with inflation forwards more pessimistic than ECB forecasts. It is very likely that this is much more subject to debate and source of disagreement within the Governing Council, and can potentially explain the persistence of cut pricing into 2026. We continue to see [scope for a higher neutral rates](#), contributing to the view for higher Bund yields.

**Soniya Sadeesh**  
Strategist  
+44 20 754-73091  
soniya.sadeesh@db.com

**Note:** This report was originally published on [30 July 2025](#).

Figure 105: Evaluating the undershoot in inflation and market pricing of cuts



Source : Deutsche Bank, \*recovery metric removes prints subject to Easter volatility



## Risks of fiscal dominance

Tomorrow is an eventful day for US rates, with Treasury's Quarterly Refunding and the July FOMC meeting.

On Refunding (full preview [here](#)), we expect Treasury to keep the guidance that it anticipates maintaining nominal coupon auction sizes for at least the next several quarters, and are looking for only modest changes to the buyback program. Meanwhile, we expect the Fed to leave rates unchanged but see two dissents, from Governors Waller and Bowman, as likely. Most important for markets will be any steer from Chair Powell on a potential September cut. Like our [economists](#), we think he leaves the possibility open and does not intentionally move market pricing of it (currently ~65% of a 25bp cut).

At the intersection of these events lie growing risks of fiscal dominance. The Fed's decision to leave rates unchanged is likely to prompt renewed criticism from President Trump, whose calls for the Fed to lower rates have increasingly focused on the implications of Fed policy for the costs of financing the government's debt.

For perspective on this, today's chart shows the share of privately-held Treasury debt that will mature over the next year (dark blue), which gives a sense of the Treasury's near-term refinancing risk. This share is currently around 35%, broadly in-line with its average over the decades leading up to the GFC.

However, this gives an incomplete picture. The Fed pays interest on reserves (since 2008) and ONRRP balances (since 2013). These liabilities are distinct in important ways from Treasury obligations – reserves aren't auctioned and there is no risk that the rate on them or on ONRRP deviates from the Fed's policy setting – but they are highly relevant to consideration of the consolidated government's interest expense. That's because interest paid on reserves and ONRRP balances hits Fed income and by extension its remittances to Treasury.

Once these overnight Fed liabilities are factored in, the share of interest-bearing government debt to be refinanced over the next year jumps to around 45% (light blue), nearly 10ppt above the pre-GFC average. Alongside deficits of 6.5-7% of GDP, current levels of longer-term interest rates that are close to the growth rate of nominal GDP (see [here](#)), and an administration overtly pressuring the Fed, risks to Fed independence stemming from fiscal dominance are high.

**Matthew Raskin**

Strategist

+1-212-250-1741

[matthew.raskin@db.com](mailto:matthew.raskin@db.com)

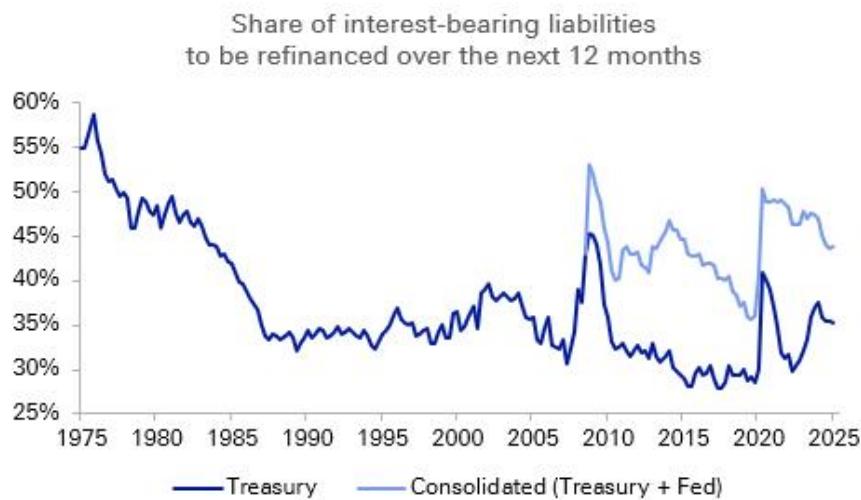
**Note:** This report was originally published on [29 July 2025](#).

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Figure 106: Once Fed interest-bearing liabilities are factored in, nearly half of the government's debt obligations need to be refinanced over the next year



Source : Haver Analytics, US Treasury, Deutsche Bank; \* Treasury includes privately-held (i.e., non-SOMA) marketable interest-bearing bills, notes, bonds, and TIPS; Consolidated adds to this reserve balances held at the Fed and ONRRP balances.

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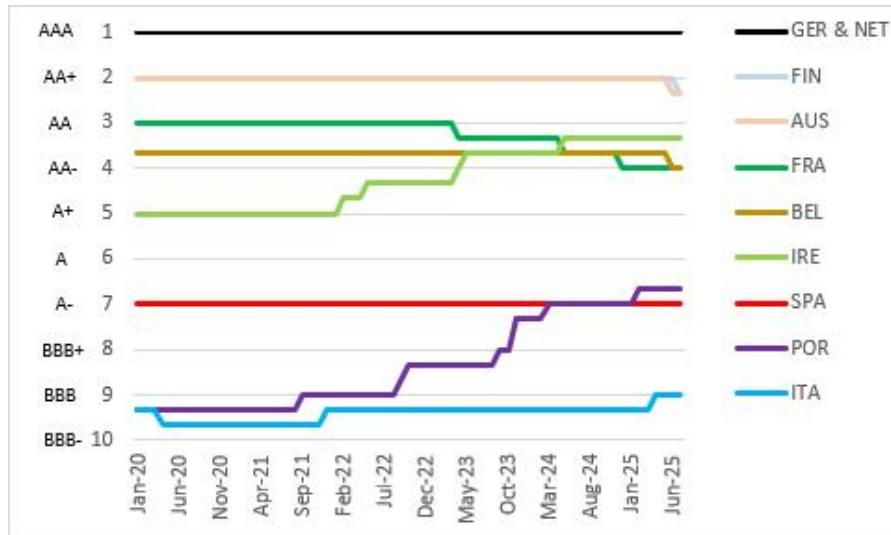


## Credit ratings' convergence between periphery & core/semi-core

The convergence in terms of credit ratings between periphery and core/semi-core Eurozone countries continues as Finland saw its AA+ rating cut by Fitch last Friday to AA. This is the third downgrade of a Eurozone country by Fitch over the past two months, following those of Austria & Belgium in June. The downgrades of France over the past year have also been well [documented](#). On the contrary, Italy, Portugal & Ireland have all seen rating upgrades over the past couple of years while Spain was mostly upgraded prior to the Covid crisis.

Moreover, in terms of rating outlooks, France & Belgium remain under negative outlooks while Spain, Italy, Portugal, Ireland & Greece all have several positive outlooks. This signals further ratings' convergence ahead. As is [usually](#) the case though, the market has been front-running these ratings changes with the strong compression seen in periphery vs semi-core spreads. As a result, we don't see a strong market reaction following these rating actions. In a recent [FICOTD](#) we showed how such a convergence is also backed by the latest European Commission's economic forecasts. In terms of trades, we maintain our BTP/OAT compression trade which is an expression of the aforementioned convergence theme along with idiosyncratic factors.

Figure 107: Average credit rating of S&P, Moody's & Fitch



Source : Deutsche Bank, Bloomberg Finance LP



# Economics

## What you need to know for the week ahead

Figure 108: DB economic forecasts

	2025F Q4/Q4	2026F Q4/Q4	2027F Q4/Q4
Real GDP	1.0	2.0	2.2
Unemployment rate, %	4.5	4.5	4.3
Core CPI	3.1	2.6	2.4
Fed Funds	4.125	3.625	3.625

Source : Deutsche Bank

**Justin Weidner**

Economist

+1-212-469-1679

justin-s.weidner@db.com

**Brett Ryan**

Senior US Economist

+1-212-250-6294

brett.ryan@db.com

**Matthew Luzzetti, Ph.D.**

Chief US Economist

+1-212-250-6161

matthew.luzzetti@db.com

**Amy Yang**

Economist

+1-212-454-9893

amy.yang@db.com

**Commentary for Monday:** After the jam-packed week, the data docket takes a bit of a breather with only a smattering of data releases. Similarly, the Fed speaking lineup is relatively light as well, though those few appearances will likely be heavily scrutinized for any prospects of near-term rate cuts, especially in the wake of last week's weaker-than-expected jobs report.

As a quick reminder, after accounting for revisions, the July employment report was notably weaker than expected. While the gains in headline (73k) and private (83k) payrolls were close to in line, the prior two months were revised lower by 258k, the largest downward two-month net revision on record outside of the pandemic. After revisions, the private sector only added 3k jobs in June and the recent trend in employment gains looks materially weaker – the 3-month average on total payrolls is only +35k, the weakest since the pandemic. Although the remainder of the establishment survey report was not as soft – the average workweek rose to 34.3 and average hourly earnings were revised higher, leaving our payroll proxy up a solid 5.3% year-over-year – the downward revisions will rightfully be the key focus for investors and the Fed.

On the household survey side, the unemployment rate ticked up to 4.2% as expected but was close to rounding up to 4.3%. This came despite a one-tenth decline in the participation rate. The details of unemployment were interesting, as permanent job losers stayed unchanged while there was a record surge in new entrants that are unemployed, consistent with the low hiring/firing dynamic that has epitomized the labor market for some time. Historically, a surge in the new entrants category tends to be at least partially reversed during the next month, which could impart some downward bias to the August reading of the unemployment rate. For a deeper dive into the July employment report and the labor market in general, see our chartbook: "[July employment: No fun in the sun for the labor market](#)".

In this context, Tuesday's ISM services (51.2 forecast vs. 50.8 previously), particularly the employment component, and Thursday's initial jobless claims data (225k vs. 218k) will be combed through for any signs of further labor market weakness going forward. Beyond that, the remainder of the data will help to further

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fill in details from last week's GDP data, namely Monday's factory orders (-10.2% vs. +8.2%), Tuesday's international trade balance (-\$75bn vs -\$71.5bn), and Thursday's productivity (+2.5% vs. -1.5%) and unit labor costs (+1.0% vs. 6.6%).

The June trade data on Tuesday will feature country and product level details which could allow for some rebenchmarking of the average tariff rate after the initial rounds of tariffs. As a reminder, last Thursday President Trump issued an executive order laying out country-specific tariff rates that go into effect on August 7. This order kept the "universal" 10% tariff, reflected recently announced rates from prior trade negotiations, and specified tariff rates for other countries that have yet to engage in negotiations. In a separate order, the tariff on non-USMCA-compliant imports from Canada was increased by 10ppt to 35%.

As of August 7th, when the country-specific rates go into effect, we are tracking an average tariff rate of 19.6% on a static basis using 2024 trade weights, though this is likely an upper bound. Accounting for the likely degree of overestimation, we view the likely average tariff rate to be closer to 15% (see "[Tariff tracker: Heating up in August](#)").

With respect to the Fedspeak, Wednesday will see Governor Cook and Boston's Collins (voter) in a panel discussion with a Board Member of the Central Bank of Chile, while San Francisco's Daly (non-voter) will speak at an economic summit. Atlanta's Bostic (non-voter) will speak on Thursday about monetary policy and St. Louis's Musalem (voter) will participate in a fireside chat on Friday.

We had heard from Bostic last week in the wake of the jobs report, who seemed a bit more concerned with the slowdown evident in the employment report, though he said he would not have changed last week's decision to hold rates steady and is not ready to increase his projections for near-term rate cuts. We will be listening closely to the Fed officials' speeches for whether or not they feel the same.

One development last Friday was that Governor Kugler announced her resignation from the Board, effective August 8th, allowing President Trump to nominate her replacement. While the normal nomination and confirmation process can take months, Section 10.5 of the Federal Reserve Act grants the President the "power to fill all vacancies that may happen on the Board of Governors of the Federal Reserve System during the recess of the Senate by granting commissions which shall expire with the next session of the Senate."

In other words, Trump could temporarily appoint a new Governor through January 2027 during a Senate recess without going through the traditional confirmation process. The Senate is set to be out of session in state work periods from August 4th through September 1st, though during this period, the Senate could opt to hold pro forma sessions to prevent recess appointments.

The July jobs report presented a stark contrast to the July FOMC meeting where Chair Powell painted the labor market as solid and downplayed the potential for payrolls weakness given uncertainty about labor supply (see "[July FOMC recap: Still quite early days for September cut hopes](#)"). In this context, he emphasized the unemployment rate, which did remain within the range over the past year. However, the extent of recent downward revisions to payrolls suggests caution around a positive view of the labor market and supports being vigilant for signs of further downside risks. While our baseline remains that the next Fed rate cut does not occur until December, the July employment report points to risks the Fed could

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cut as early as September. The burden is likely to be on near-term data to show firmer inflation and a rebound in the labor market to avoid that outcome.

Figure 109: Fed speak calendar

Region	Name	Date	Dove/Hawk	Voter	Events
Governor/Boston	Cook/Collins	Aug-06	Dove/Neutral	Y	Participate in panel event
Atlanta	Bostic	Aug-07	Neutral	N	Fireside chat on monetary policy
St. Louis	Musalem	Aug-08	Hawk	Y	Fireside chat on banking and credit
VC Supervision	Bowman	Aug-09	Dove	Y	Speaks at Kansas Bankers Association

Source : Bloomberg Finance LP, Deutsche Bank

Please see the following pages for a forecast summary and estimates of the upcoming US high-frequency data over the next several weeks.

Figure 110: DB economic forecasts

Economic Activity (% qoq, saar)	2025				2026				2027				2025F	2026F	2027F
	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q1F	Q2F	Q3F	Q4F	Q4/Q4	Q4/Q4	Q4/Q4
GDP	-0.5	1.6	1.3	1.5	1.7	1.9	2.1	2.5	2.2	2.4	2.1	2.2	1.0	2.0	2.2
Private consumption	0.5	1.7	1.4	1.5	1.6	1.7	1.9	2.1	2.1	2.2	2.1	2.2	1.3	1.8	2.1
Investment	23.8	-18.3	1.9	2.9	2.5	2.7	2.9	4.3	3.2	3.6	2.6	2.5	1.5	3.1	3.0
Nonresidential	10.3	-0.8	0.1	1.4	1.2	2.3	2.4	2.4	2.8	2.9	3.2	3.2	2.7	2.1	3.0
Residential	-1.3	-5.5	-3.0	-3.0	-2.0	2.0	3.0	3.0	2.5	2.4	2.6	2.3	-3.2	1.5	2.4
Gov't consumption	-0.6	-0.3	-0.7	-0.2	1.1	1.8	1.6	1.6	1.5	1.5	1.5	1.5	-0.5	1.6	1.5
Exports	0.4	1.6	2.0	1.5	1.6	2.1	2.1	2.0	2.0	2.1	2.0	2.1	1.4	1.9	2.0
Imports	38.0	-24.0	1.1	1.3	1.7	1.9	1.7	1.9	2.1	2.0	1.9	2.0	1.8	1.8	2.0
Contribution (pp): Inventories	2.6	-3.5	0.4	0.4	0.3	0.1	0.1	0.3	0.1	0.2	-0.1	-0.1	-0.1	0.0	0.1
Net trade	-4.6	4.7	0.0	0.0	-0.1	-0.1	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1
Unemployment rate, %	4.1	4.2	4.4	4.5	4.5	4.6	4.5	4.5	4.4	4.4	4.3	4.3	4.5	4.5	4.3
Prices (% yoy)															
CPI	2.7	2.5	3.0	3.1	3.0	3.1	2.9	2.6	2.6	2.6	2.5	2.5	3.1	2.6	2.5
Core CPI	3.1	2.8	3.1	3.1	3.0	3.1	2.8	2.6	2.5	2.5	2.4	2.4	3.1	2.6	2.4
PCE	2.5	2.4	2.9	3.1	2.8	2.9	2.6	2.4	2.4	2.3	2.2	2.2	3.1	2.4	2.2
Core PCE	2.8	2.7	3.0	3.1	2.9	2.9	2.6	2.4	2.3	2.2	2.1	2.1	3.1	2.4	2.1
Fed Funds	4.375	4.375	4.375	4.125	3.625	3.625	3.625	3.625	3.625	3.625	3.625	3.625	4.125	3.625	3.625

Source : BEA, BLS, FRB, Haver Analytics, Deutsche Bank

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Figure 111: Data calendar and DB forecasts

Jul-28	Jul-29	Jul-30	Jul-31	Aug-01
<b>2 Yr Note Auction</b> \$69bn	<b>Advance Goods Trade Balance</b>	<b>ADP Employment Report</b>	<b>Initial Claims</b>	<b>Employment</b>
<b>5 Yr Note Auction</b> \$70bn	8:30 AM Apr: -\$87.6B May: -96.6 Jun: -86.0	8:15 AM May: +29k Jun: -23 Jul: +104	8:30AM Jul-12 221k -7k Jul-19 217 -4 Jul-26 218 +1	8:30 AM May: Jun: Jul: Payrolls +19k +14 +73 Private +69k +3 +83 UnRate 4.2% 4.1 4.2
	<b>June JOLTS data released</b>	<b>Real GDP</b>	<b>Personal Income</b>	<b>ISM Index</b>
	<b>Consumer Confidence</b>	8:30 AM 4Q24: +2.4% +2.3% 1Q25: -0.5 +3.8 Adv: 2Q25: +3.0 +2.0	8:30 AM Apr: May: Jun: Income +0.8% -0.4 +0.3 Consum. +0.2% Unch. +0.3 Core PCE +0.2% +0.2 +0.3	10:00 AM May: Jun: Jul: Hrly Errgs +0.4% +0.2 +0.3 Workwk 34.3 34.2 34.3
	<b>7 Yr Note Auction</b> \$44bn	<b>Pending Home Sales Index</b>	<b>Employment Cost Index</b>	
	<b>2 Yr FRN Auction</b> \$30bn	10:00 AM Apr: -6.3% May: +1.8 Jun: -0.8	8:30AM Q424: +0.9% Q125: +0.9 Q225: +0.9	10:00 AM May: Jun: Jul: 49.5 49.0 48.0
		<b>FOMC Meeting</b>	<b>Chicago PMI</b>	<b>Consumer Sentiment</b>
		3 Yr Note Announcement	\$58bn	10:00 AM May: Jun: Jul: 52.2 60.7 61.7
		10 Yr Note Announcement	\$42bn	<b>Construction Spending</b>
		30 Yr Bond Announcement	\$25bn	10:00 AM Apr: May: Jun: +0.1% -0.4 -0.4
				<b>Unit motor vehicle sales</b>
				May: 15.6 Jun: 15.3 Jul:
<b>FORECAST</b>				
Aug-04	Aug-05	Aug-06	Aug-07	Aug-08
<b>Factory Orders</b>	<b>International Trade Balance</b>	<b>10 Yr Note Auction</b>	<b>Initial Claims</b>	
10:00 AM Apr: -3.9% May: +8.2 Jun: -10.2	8:30 AM Apr: -\$60.3B May: -71.5 Jun: -75.0	\$42bn	8:30AM Jul-19 217k -4k Jul-26 218 +1 Aug-02 225 +7	
	<b>ISM Services</b>		<b>Productivity</b>	<b>ULCs</b>
	10:00 AM May: 49.9 Jun: 50.8 Jul: 51.2		8:30AM 4Q24: +1.7% +3.8% 1Q25: -1.5 +6.6 Prelim: 2Q25: +2.6 +1.0	
	<b>3 Yr Note Auction</b>	\$58bn	<b>Wholesale Inventories</b>	
			10:00 AM Apr: +0.1% May: -0.3 Jun: +0.2	
			<b>Consumer Credit</b>	
			3:00 PM Apr: +\$16.9B May: +5.1 Jun: +7.2	
			<b>30 Yr Bond Auction</b>	<b>\$25bn</b>
Aug-11	Aug-12	Aug-13	Aug-14	Aug-15
			<b>PPI</b>	<b>Retail Sales</b>
	<b>CPI Price</b>	<b>Total Core</b>	8:30AM May: +0.3% +0.4% Jun: Unch. Unch. Jul: +0.2 +0.2	8:30AM May: Jun: Jul: Total -0.9% +0.6 +0.5 Jul: +0.2 +0.2 +0.5
	8:30AM May: +0.1% Jun: +0.3 +0.2 Jul: +0.1 +0.21		20 Yr Bond Announcement	Control +0.2% +0.5 +0.5
			30 Yr TIPS Announcement	<b>NY Fed Empire State Survey</b>
			\$80n	8:30AM Jun: -16.0 Jul: +5.5 Aug: +1.0
				<b>Industrial Production</b>
				9:15AM May: Unch. 77.5% Jun: +0.3 77.6 Jul: +0.2 77.8
				<b>Business Inventories</b>
				10:00 AM Apr: Unch. May: Unch. Jun: +0.1
				<b>Consumer Sentiment</b>
				10:00 AM Jun: 60.7 Jul: 61.7 Prelim: Aug: 63.0
Aug-18	Aug-19	Aug-20	Aug-21	Aug-22
<b>NAHB Housing Market Index</b>	<b>Housing Starts Permits</b>	<b>FOMC Minutes</b>	<b>Philadelphia Fed</b>	
10:00 AM Jun: 32 Jul: 33 Aug: 32	8:30AM May: 1,263M 1,394M Jun: 1,321 1,393 Jul: 1,311 1,391	20 Yr Bond Auction	8:30AM Jun: -4.0 Jul: +15.9 Aug: +2.0	
			<b>Leading Economic Indicators</b>	
			10:00 AM May: Unch. Jun: -0.3 Jul: +0.1	
			<b>Existing Home Sales</b>	
			10:00 AM May: 4.04M Jun: 3.93 Jul: 3.87	
			<b>2 Yr Note Announcement</b>	\$89bn
			<b>5 Yr Note Announcement</b>	\$70bn
			<b>7 Yr Note Announcement</b>	\$44bn
			<b>2 Yr FRN Announcement</b>	\$28bn
			<b>30 Yr TIPS Auction</b>	\$80n

Source : Deutsche Bank

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# Chartpack

Figure 112: Germany Yield Forecasts

Forecasts	Sep-25	Dec-25
2Y	2.09	2.13
5Y	2.39	2.40
10Y	3.00	3.00
30Y	3.42	3.42

Source : Deutsche Bank

Figure 113: EUR Swap Rate Forecasts

Forecasts	Sep-25	Dec-25
2Y	2.18	2.22
5Y	2.42	2.43
10Y	2.83	2.84
30Y	2.92	2.92

Source : Deutsche Bank

Figure 114: US Treasury Yield Forecasts

Forecast	Current	Sep-25	Dec-25	Mar-26
2Y	3.92	3.85	3.75	3.70
5Y	3.94	4.05	4.00	3.95
10Y	4.36	4.50	4.45	4.45
30Y	4.87	4.95	4.95	4.95

Source : Deutsche Bank

Figure 115: SOFR Swap Rate Forecasts

Forecast	Current	Sep-25	Dec-25	Mar-26
2Y	3.72	3.70	3.60	3.55
5Y	3.59	3.80	3.75	3.70
10Y	3.83	4.15	4.10	4.10
30Y	4.04	4.25	4.25	4.25

Source : Deutsche Bank

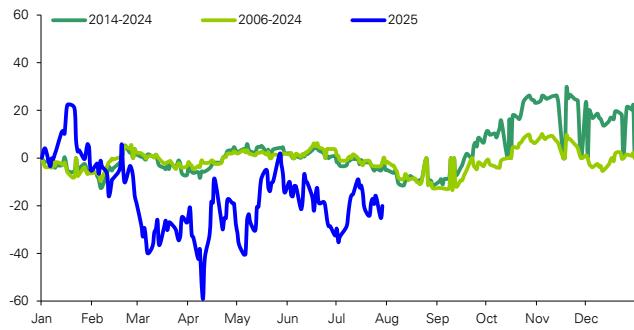
- Germany yield and Euro swap forecasts were last updated on 5 March 2025.
- US yield forecasts and US SOFR swap forecasts were last updated on 27 April 2025.

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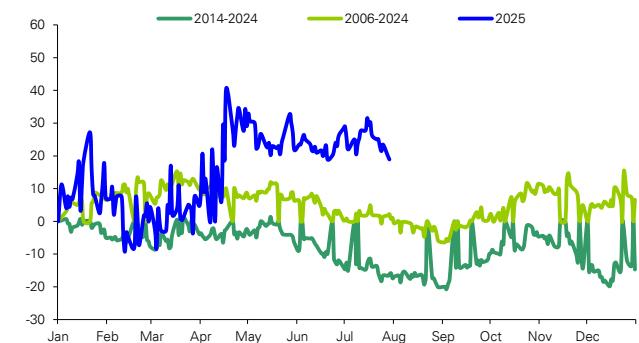


Figure 116: 10Y Treasury yield seasonals (Change since Jan-1)



Source : Deutsche Bank

Figure 117: 2Y/10Y slope seasonals (Change since Jan-1)



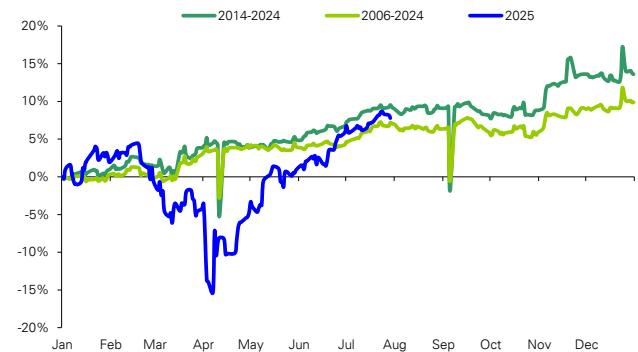
Source : Deutsche Bank

Figure 118: 10Y swap spread seasonals (Change since Jan-1)



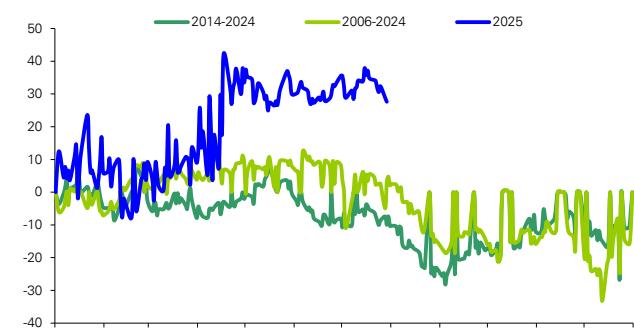
Source : Deutsche Bank

Figure 119: S&P Index seasonals (Change since Dec-31)



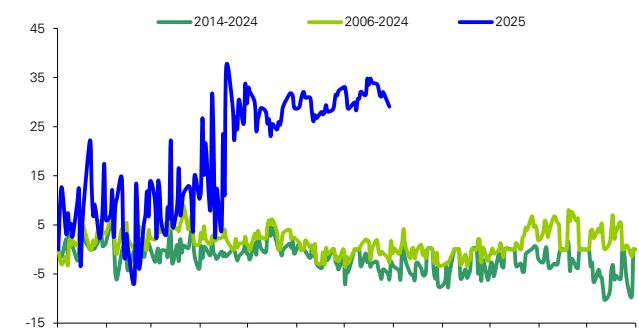
Source : Deutsche Bank

Figure 120: 3Y10Y Implied vol seasonals (Change since Dec-31)



Source : Deutsche Bank

Figure 121: 5Y10Y Implied vol seasonals (Change since Dec-31)



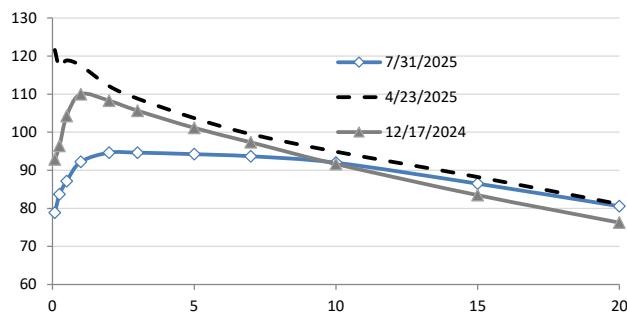
Source : Deutsche Bank

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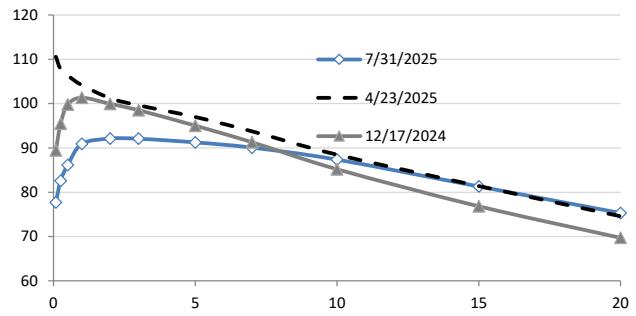


Figure 122: Term structure of 2Y USD vol



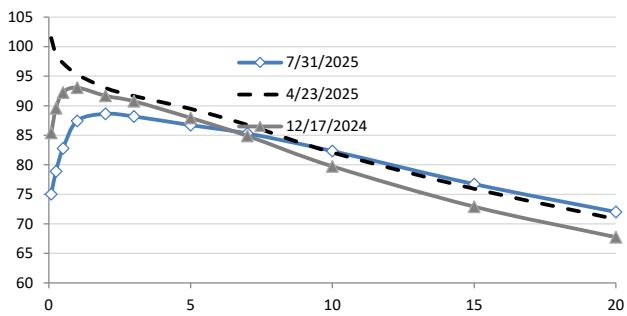
Source : Deutsche Bank

Figure 123: Term structure of 10Y USD vol



Source : Deutsche Bank

Figure 124: Term structure of 30Y USD vol



Source : Deutsche Bank

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Figure 125: US Treasury Coupon Auction Calendar

Ticker/Coupon/Maturity	Date	Time of Auction (NY)	Tap/New Issue	Size	10Y DV01 Equivalent
T TBA 8/28	5-Aug-25	1:00 PM	New Issue	\$58B	\$20.5B
T TBA 8/35	6-Aug-25	1:00 PM	New Issue	\$42B	\$42.0B
T TBA 8/55	7-Aug-25	1:00 PM	New Issue	\$25B	\$48.5B

Source : Deutsche Bank, US Treasury

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## Contacts

### Name

Francis Yared  
Matthew Raskin  
Steven Zeng, CFA

### Title

Global Head of Rates Research  
US Head of Rates Research  
Treasury and Money Markets

### Telephone

+44 (20) 7545 4017  
+1 (212) 250 1741  
+1 (212) 250 9373

### Email

francis.yared@db.com  
matthew.raskin@db.com  
steven.zeng@db.com

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# Appendix 1

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Pam Finelli  
Global Chief Operating Officer  
Research

Steve Pollard  
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Macro and Thematic Research

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