



DB CoTD: What would turn this 25yr tide?

We published our latest World Outlook earlier this week—complete with all our updated global forecasts. You can read it [here](#). If you're not a subscriber, I've uploaded the 4-page executive summary to the open-access DB Research Institute website (link [here](#)). Feel free to share it with anyone who doesn't have access to our full research.

As the "One Big Beautiful Bill" moves through Congress, today's CoTD comes courtesy of DB rates strategist Steven Zeng. It's a much-improved version of a chart I've shared before, highlighting a familiar trend: for the past 25 years, the Congressional Budget Office (CBO) has consistently been far too optimistic about the deficit outlook. You can read Steven's short note [here](#).

It's worth recalling that back in 2000, the CBO projected the US could completely pay off its government debt within a decade—assuming total surpluses were saved. At the time, there was a serious debate about what a world without U.S. Treasuries might look like—given their critical role in the financial system. Fast forward 25 years, and it's fair to say that "scarcity of Treasuries" is no longer a concern. To see where the CBO thought debt-to-GDP would be by 2030—back in 2000—check out Figure 6 in my last long-term debt study [here](#).

Looking at the chart, it's hard not to ask: what will stop the CBO from once again being overly optimistic?

Realistically, changing this trajectory would require a major productivity surge, another collapse in interest rates, or some kind of debt crisis. Historically, it's often taken market pressure to force a shift, and Henry in my team put out a note this morning (link [here](#)) looking at several historic case studies when this happened from across the globe. Some of these required a large shock, some were led by a bipartisan agreement like in the US in the late-80s and early-90s.

On that, Elon Musk's post last night on X was fascinating given his high profile work with DOGE earlier this year which was a centerpiece of this Administration's economic policy. His words:

"This massive, outrageous, pork-filled Congressional spending bill is a disgusting abomination. Shame on those who voted for it."

We'll see if that moves the needle.

Jim Reid

Global Head of Macro and Thematic Research
+44-20-754-72943

Henry Allen

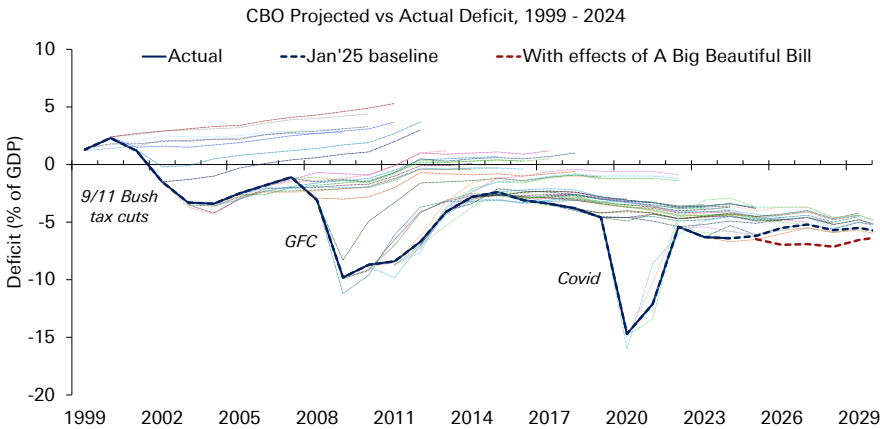
Macro Strategist
+44-20-754-11149

Raj Bhattacharyya

Research Associate



Figure 1: The CBO US deficit forecasts have been consistently too optimistic over the last 25 years. Is there any reason to believe this forecasting miss will improve going forward?



Source : Congressional Budget Office, Deutsche Bank



Appendix 1

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David Folkerts-Landau

Group Chief Economist and Global Head of Research

Pam Finelli
Global Chief Operating Officer
Research

Steve Pollard
Global Head of Company
Research and Sales

Jim Reid
Global Head of
Macro and Thematic Research

Tim Rokossa
Head of Germany
Research

Gerry Gallagher
Head of European
Company Research

Matthew Barnard
Head of Americas
Company Research

Peter Milliken
Head of APAC
Company Research

Debbie Jones
Global Head of Sustainability
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Research

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Deutsche Bank AG

Deutsche Bank Place
Level 16
Corner of Hunter & Phillip
Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

Equity Research
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG

Filiale Hongkong
International Commerce
Centre,
1 Austin Road West, Kowloon,
Hong Kong
Tel: (852) 2203 8888

Deutsche Securities Inc.

1-3-1 Azabudai
Azabudai Hills Mori JP Tower
Minato-ku, Tokyo 106-0041
Japan
Tel: (81) 3 6730 1000

Deutsche Bank AG

21 Moorfields
London EC2Y 9DB
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.

The Deutsche Bank Center
1 Columbus Circle
New York, NY 10019
Tel: (1) 212 250 2500

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Filiale Singapur
One Raffles Quay, South
Tower,
Singapore 048583
Tel: +65 6423 8001