

DELAY, not DERAIL !!

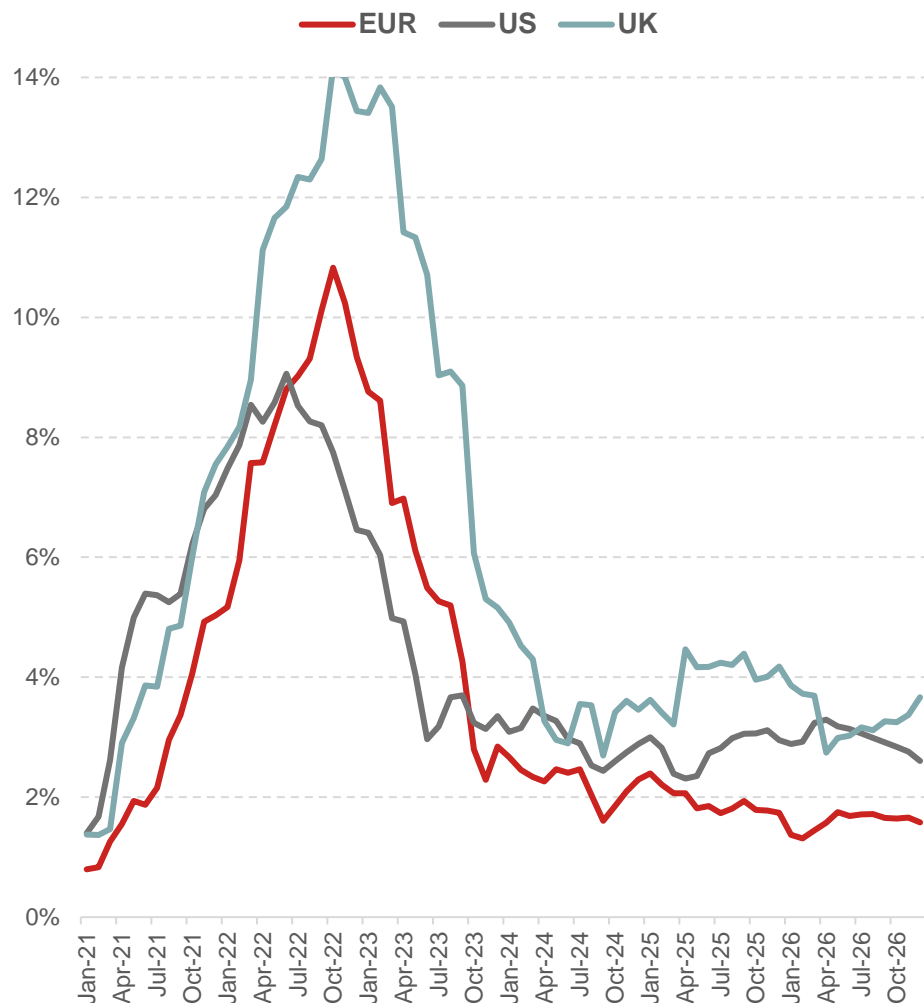
EUR Rates Strategy

Marine Mazet

June 2025

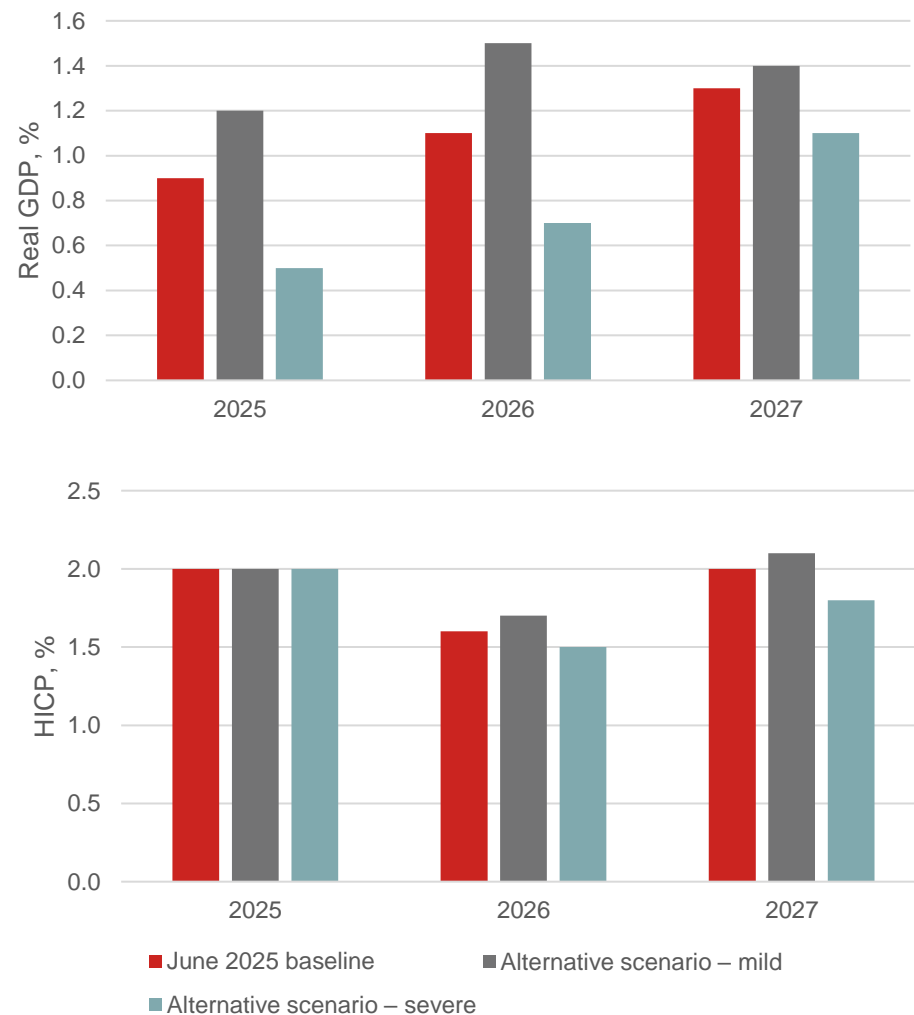
The market is concerned while the ECB hopes for the best

Inflation fixings



Source: Nomura, ECB, Bloomberg

ECB projections



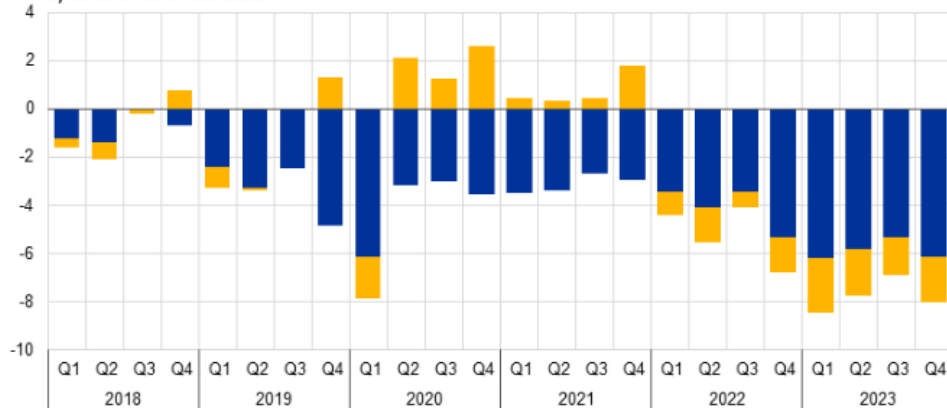
China re-routing remains a risk

Changes in import market shares

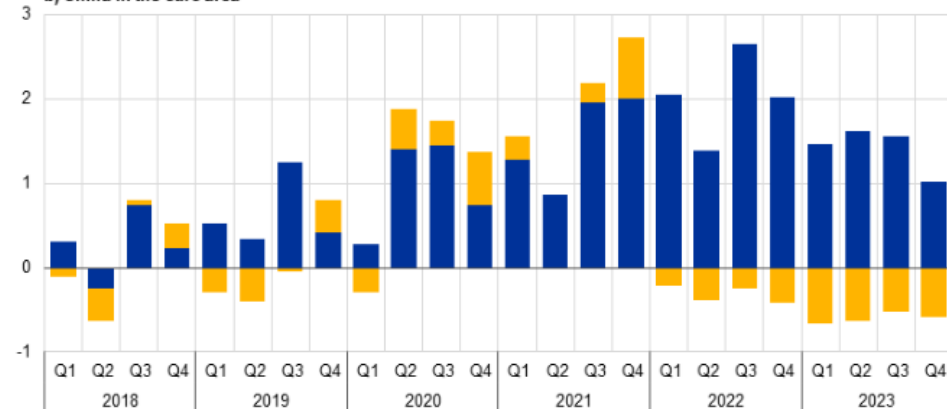
(percentage point change since 2017)

■ Products subject to tariffs
■ Products not subject to tariffs

a) China in the United States



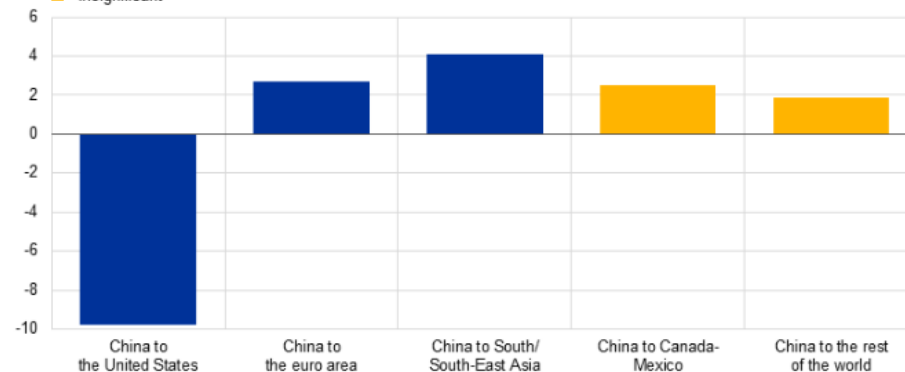
b) China in the euro area



Empirical evidence of the effect of US import restrictions on Chinese exports

(effects, percentages)

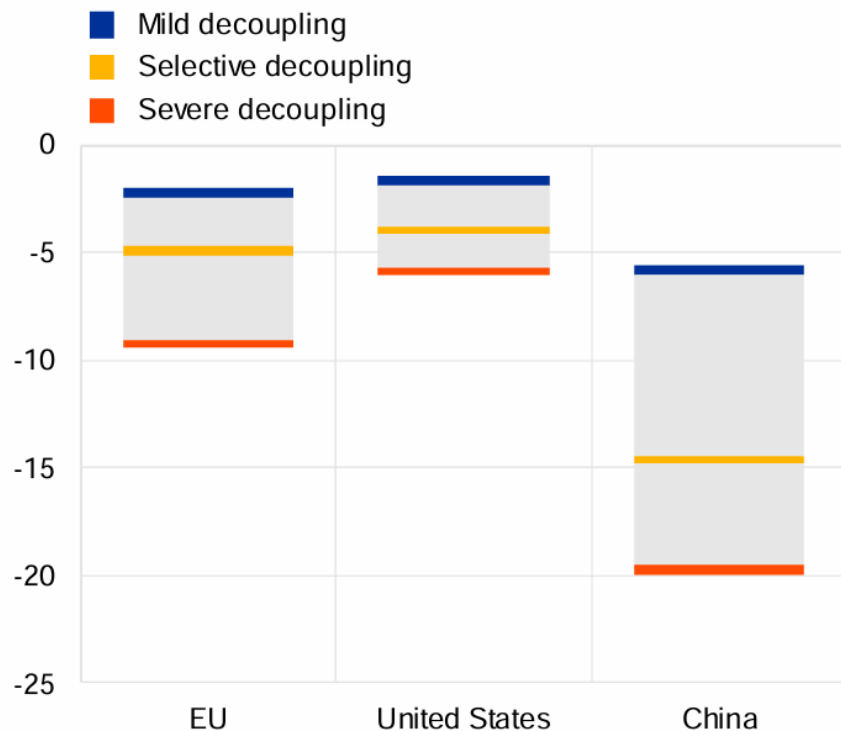
■ Significant
■ Insignificant



Time inconsistency for the ECB

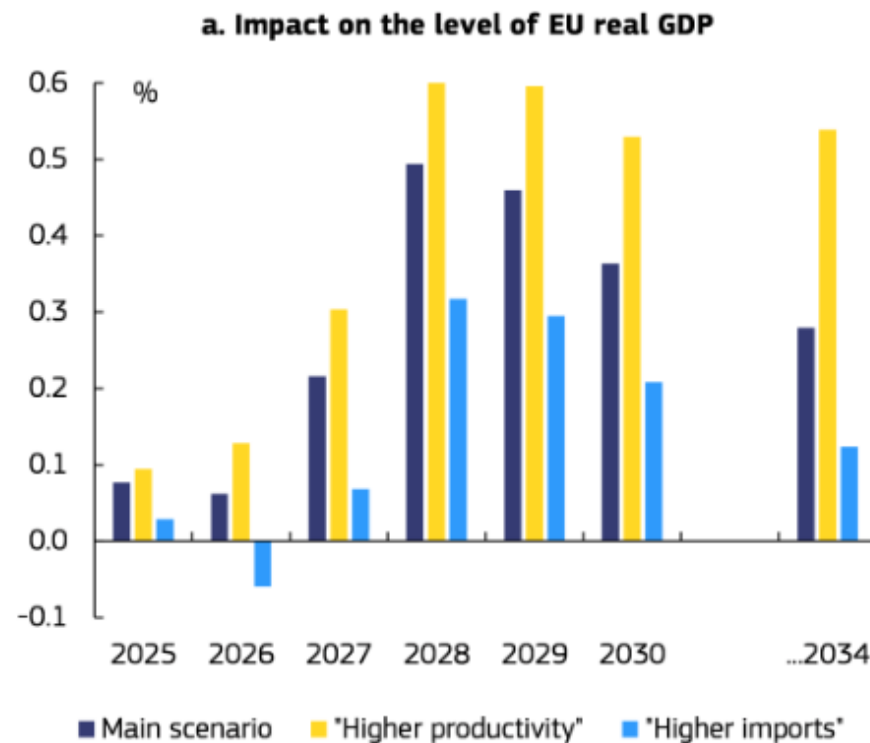
Output losses across fragmentation scenarios

(percentage deviation from steady state)



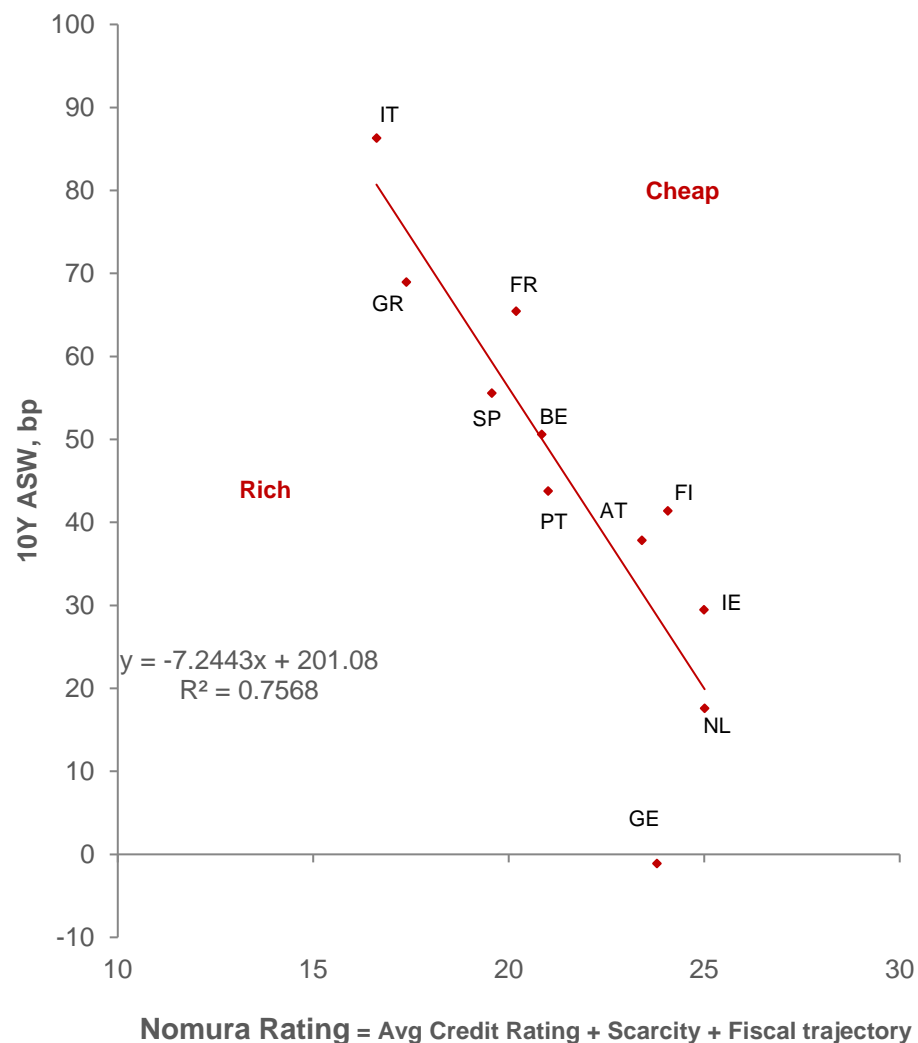
Impact of higher defence spending (EC estimates)

Assuming a linear increase in defence spending by up to 1.5% of GDP, starting this year and until 2028

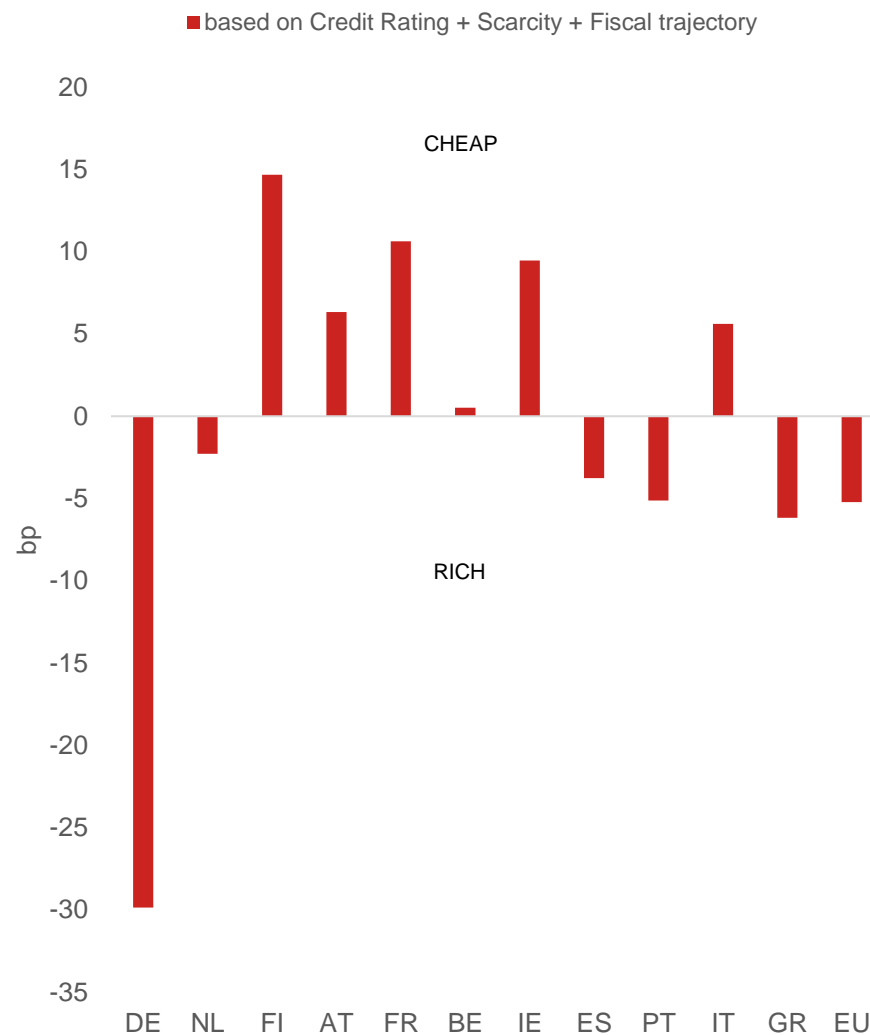


EGB: The great re-ordering

EGB vs fundamentals

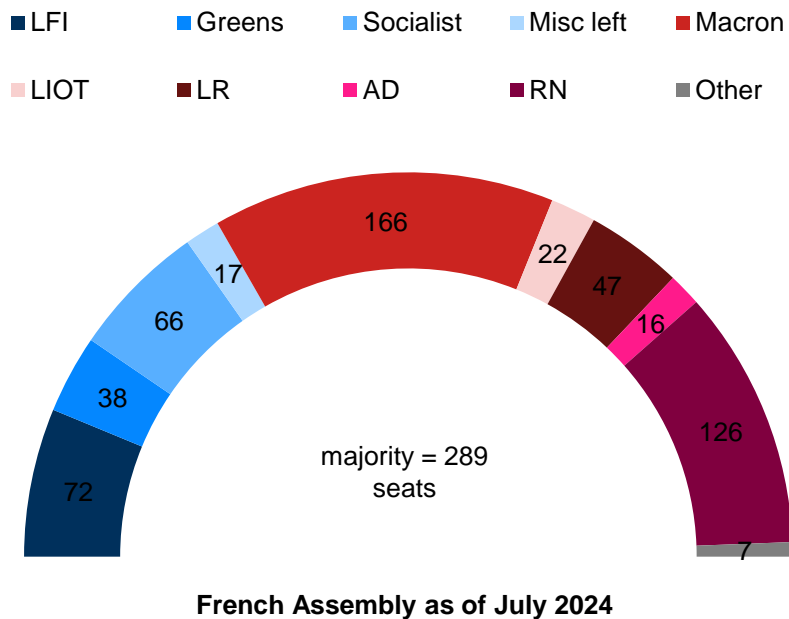


Residuals for 10y ASW



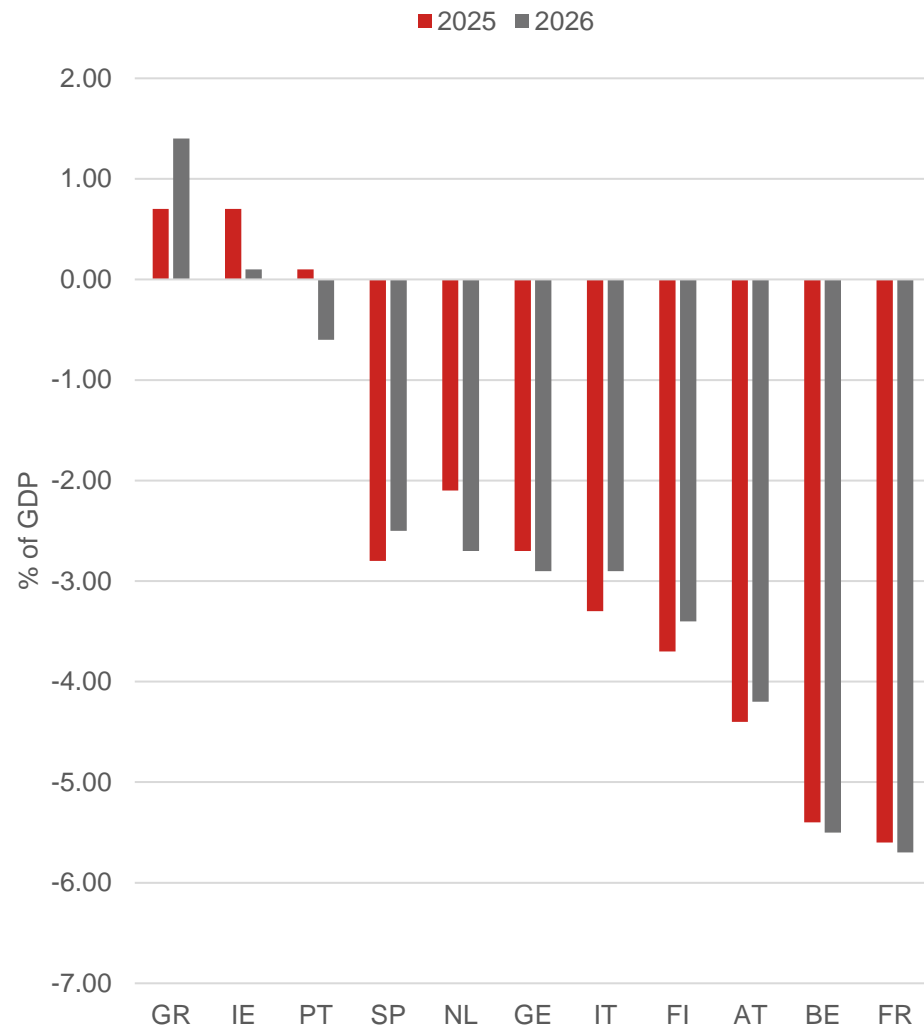
OAT, OLO and RAGB at risk

Political instability in France



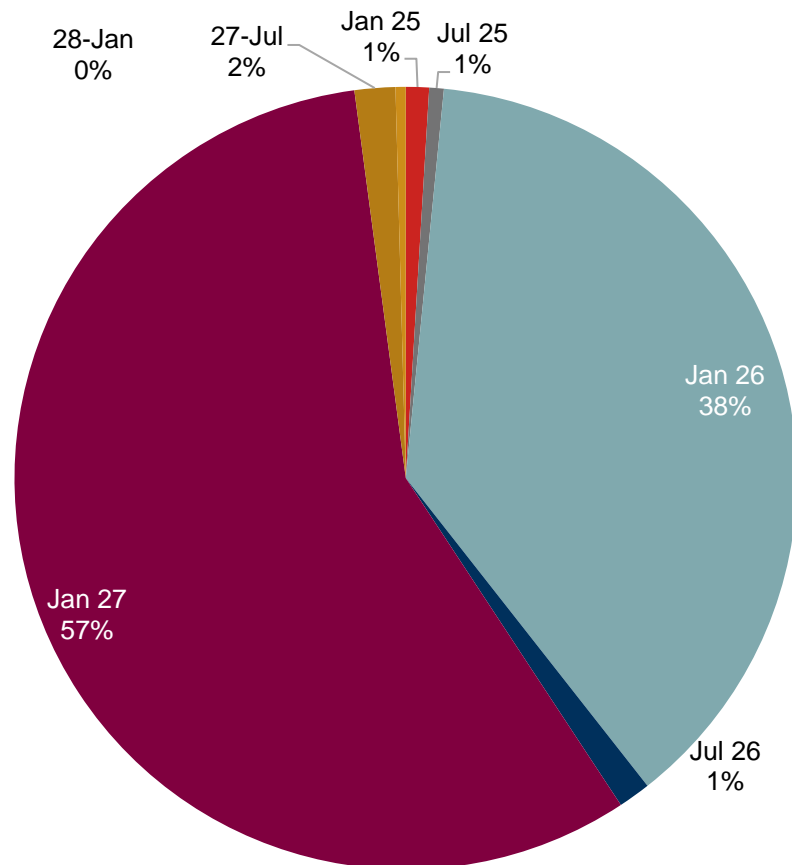
Source: National Assembly, IMF

Fiscal trajectory in focus

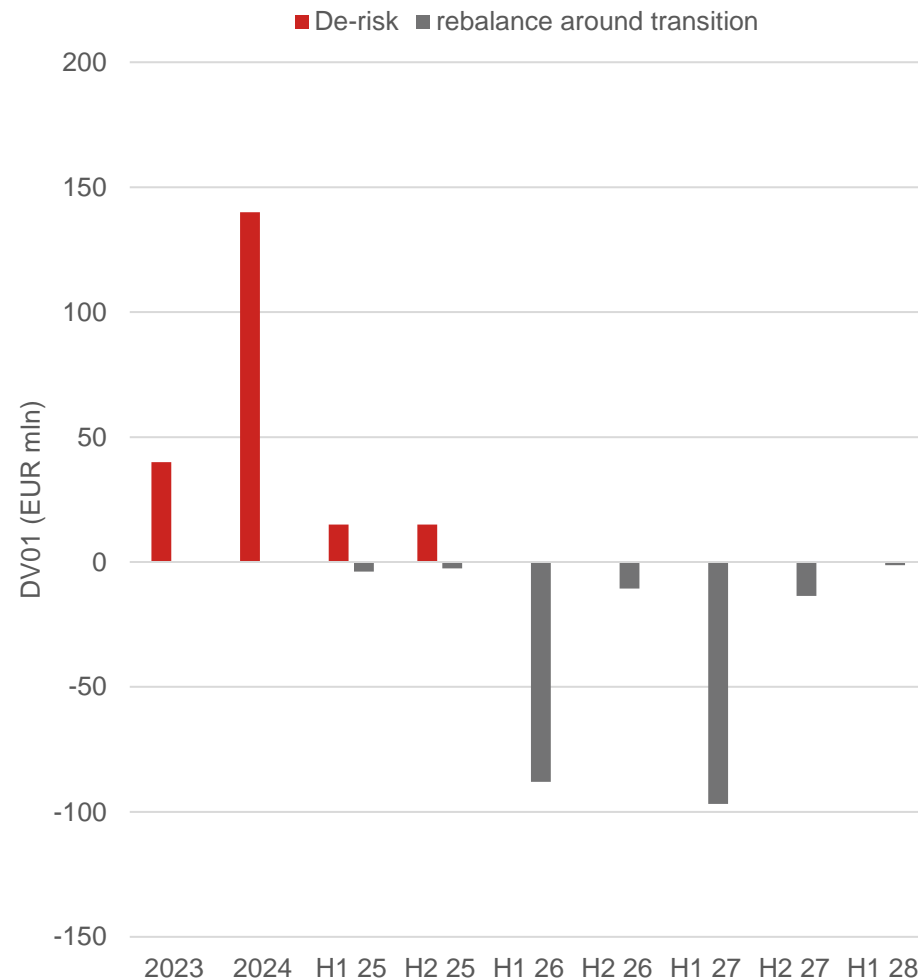


Dutch Pension funds transition

Timing in terms of AuM

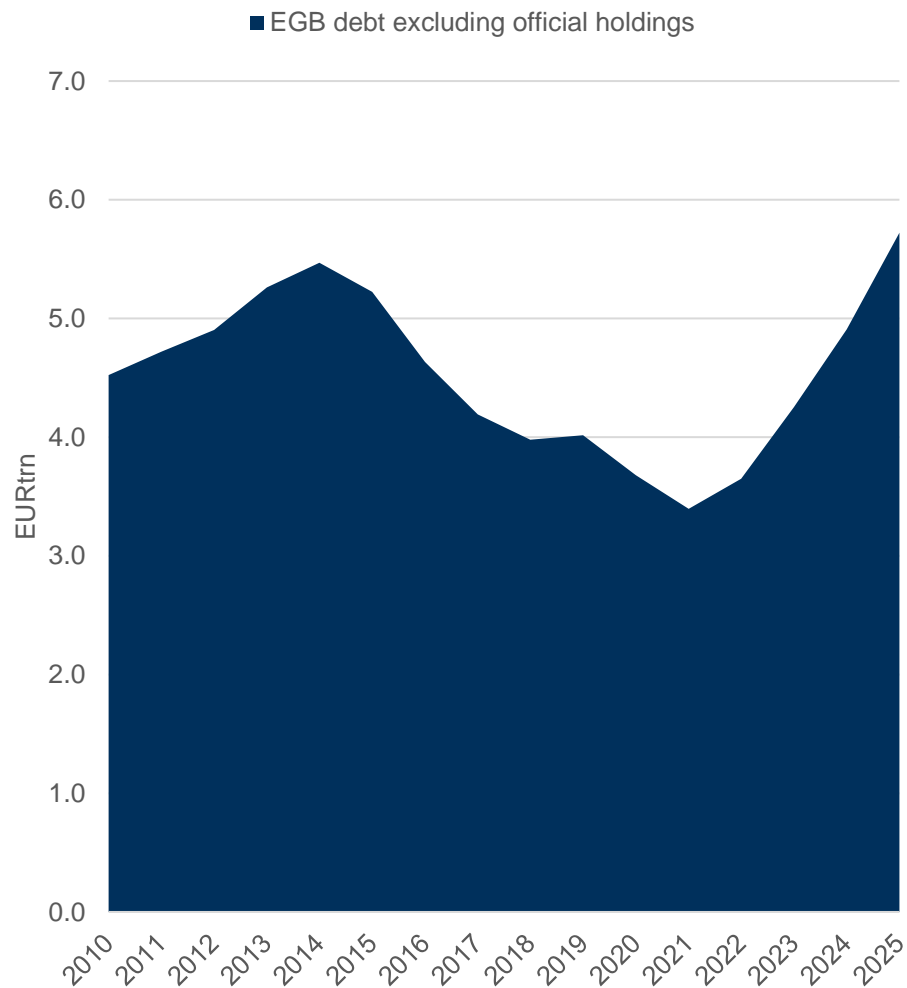


Potential transition-related DV01 demand

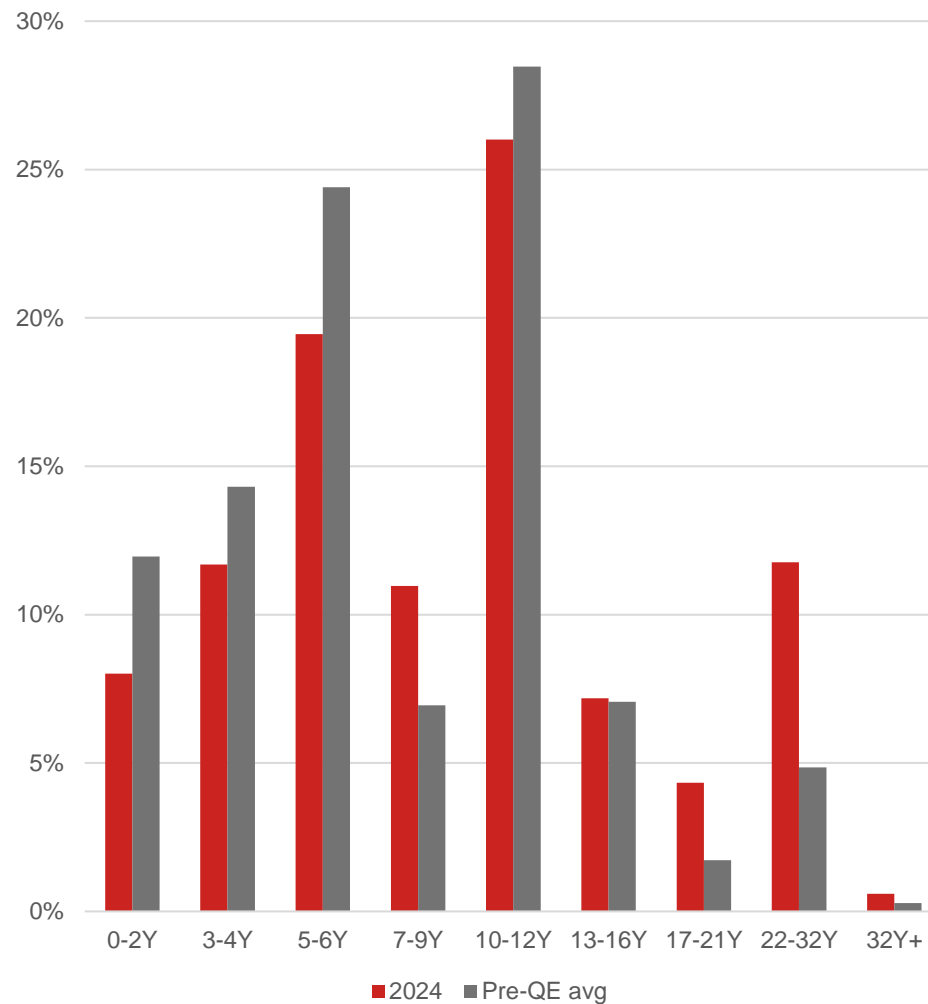


DMOs should listen to the market

EGB free float reaching record levels

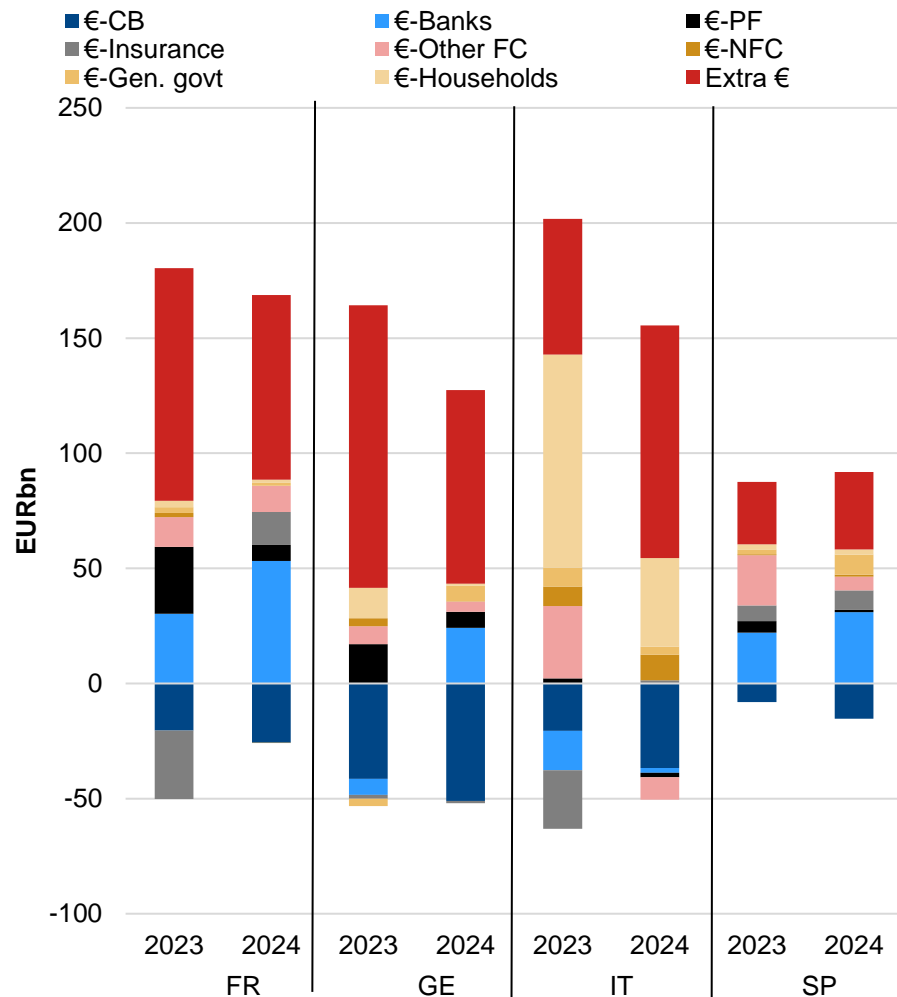


EGB issuance by maturity buckets



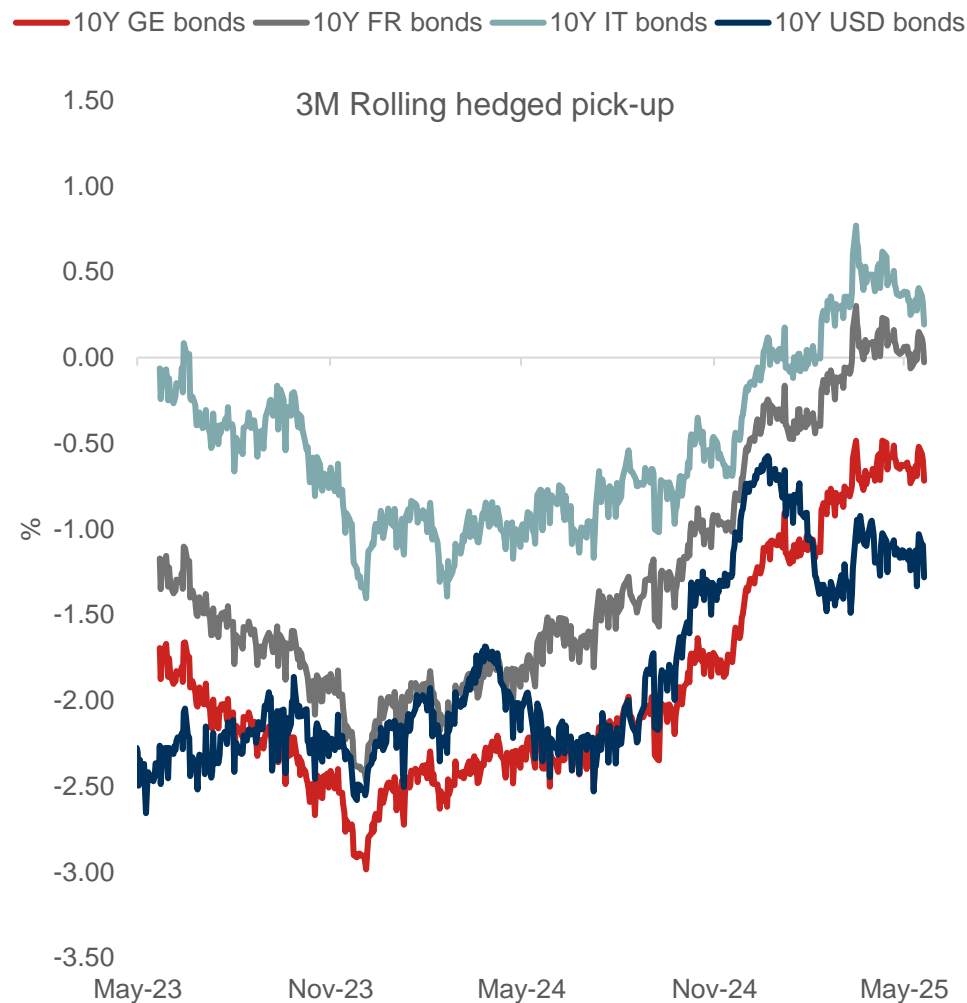
Foreigners step into ECB's shoes

Flows into >1y EGB



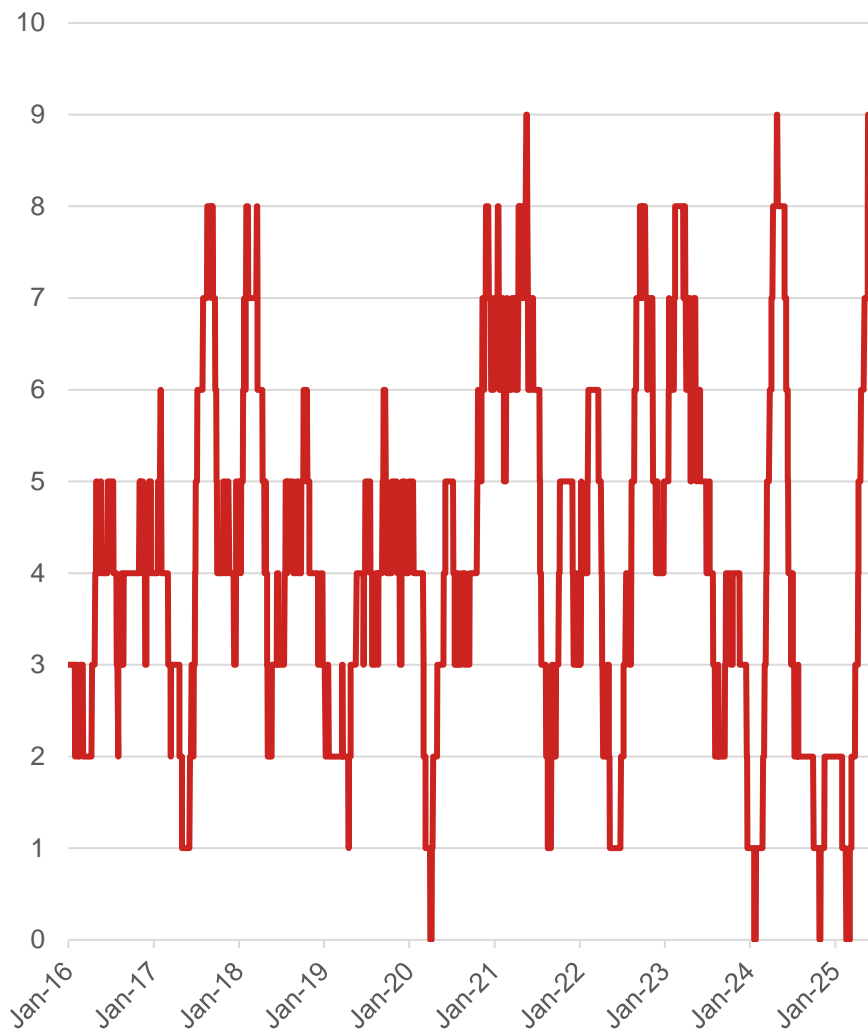
Sources: ECB, Bloomberg, Nomura

Foreign bonds pick-up for Japanese investors



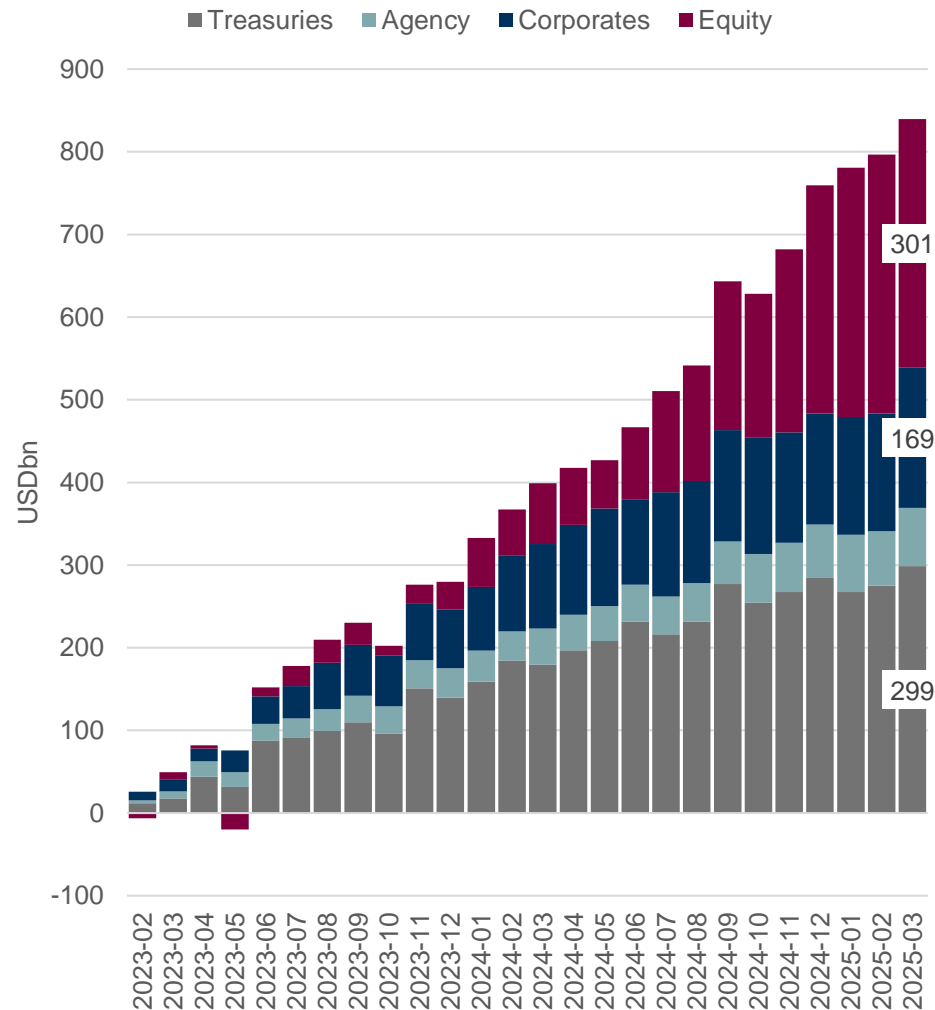
De-dollarisation is a slow burner

'Sell America' trading days



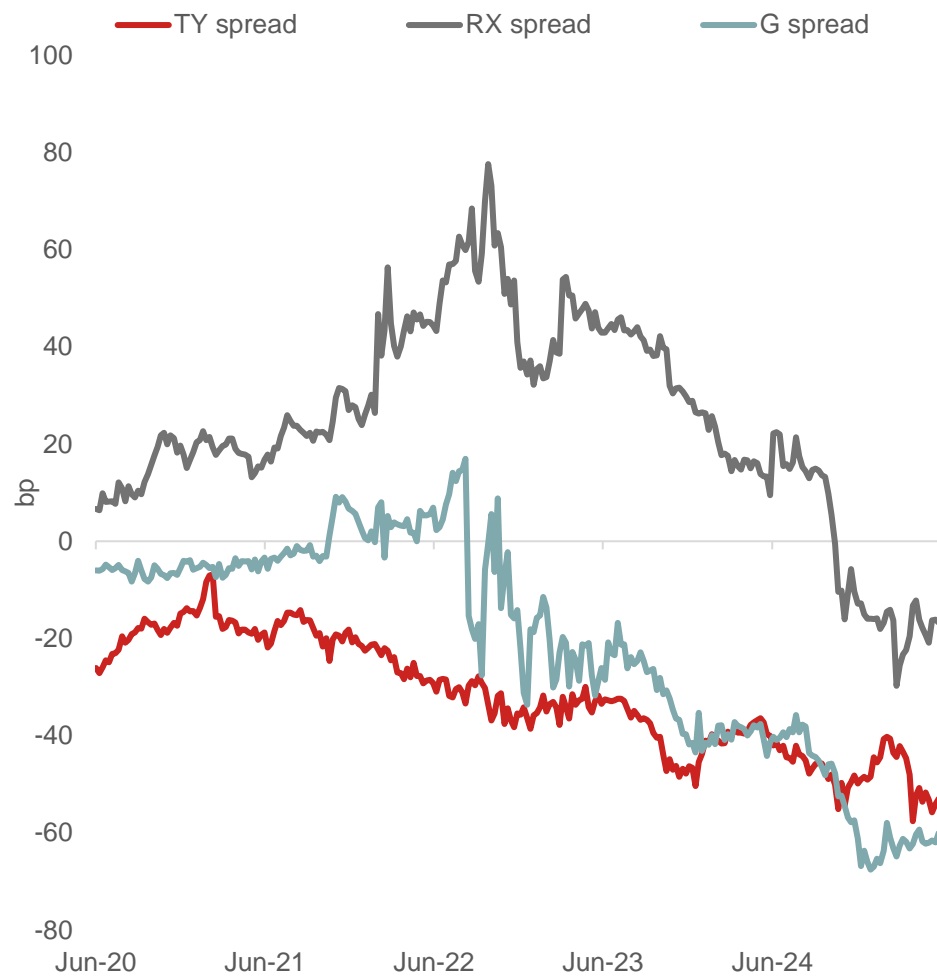
*Sell America days defined as sell-off in 10y UST, BBDXY, and SPX. Sources: Nomura, TIC

Flows from EZ investors into US assets

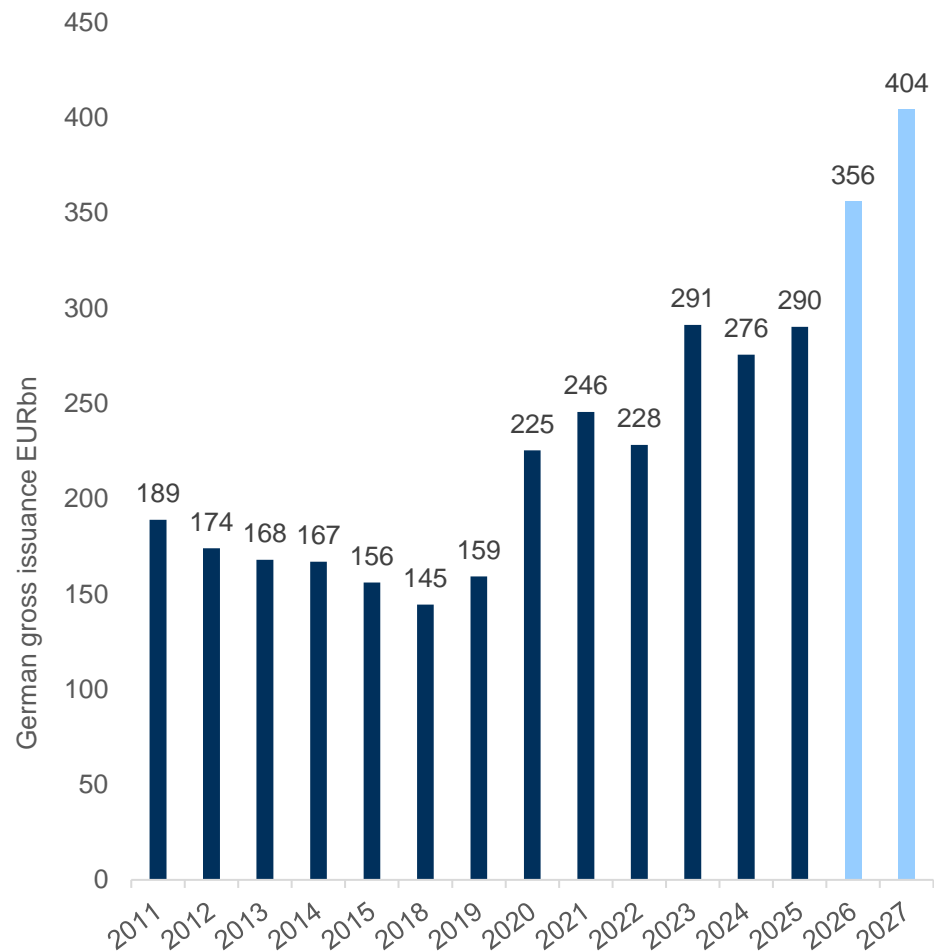


Swap spreads: the bear market is not over

ASW across regions

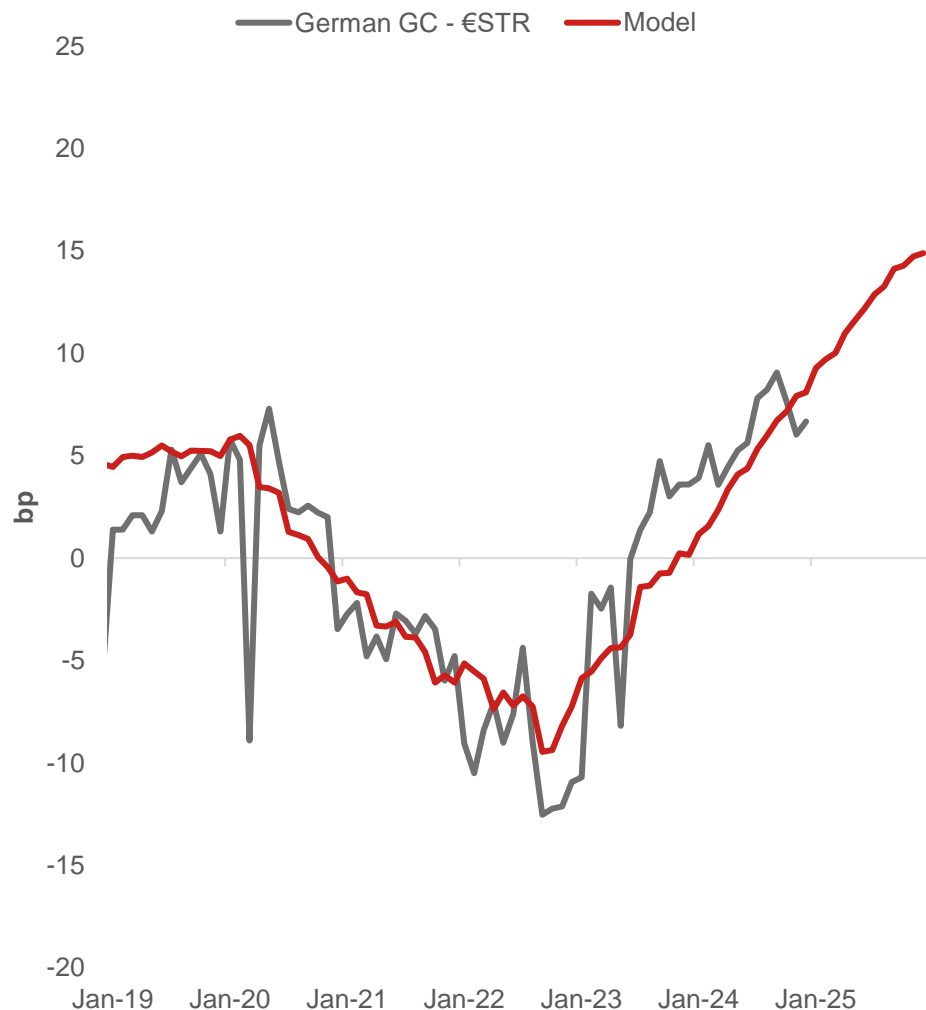


German bond issuance forecasts



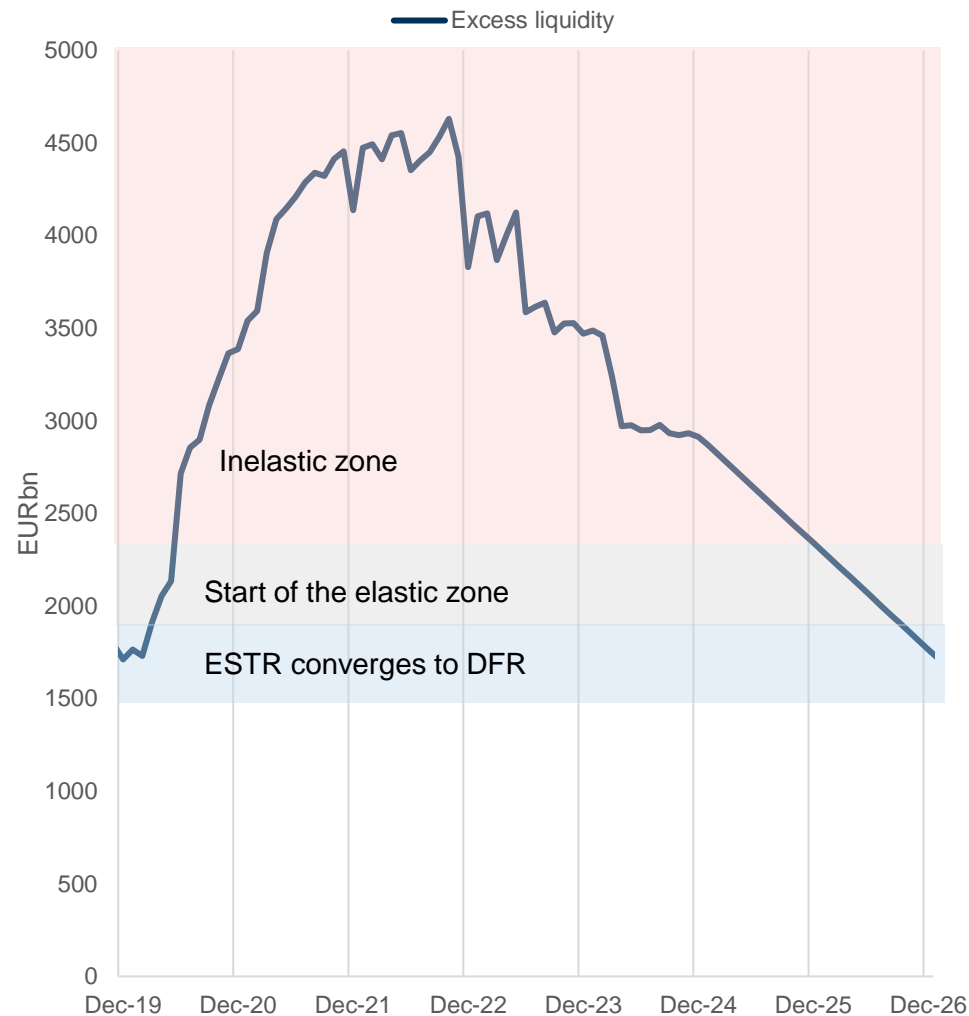
Repo will grind cheaper

German GC to suffer from supply/demand imbalance



Model = $f(\text{EGB free float, ECB excess liquidity, 1y10y vol})$. Source: ECB, Nomura, KdB

Elastic demand could start around €2.2trn



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