

Investments - Flash

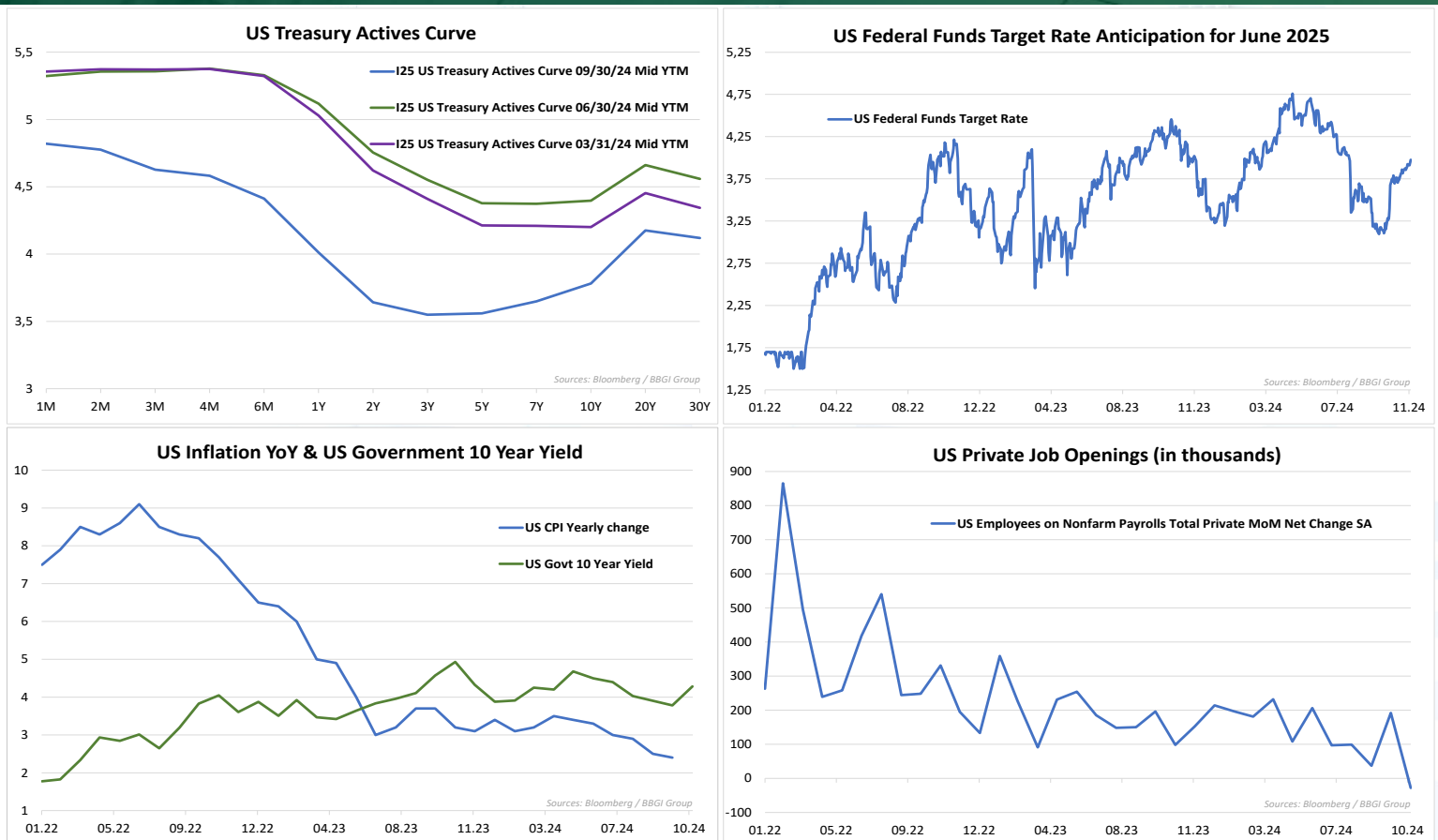
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A NEW ENTRY POINT FOR AMERICAN BONDS? Trump trade expectations versus current economic reality

October was marked by negative performances for bonds. The approach of the US elections was certainly one of the main factors driving profit-taking in the financial markets, but geopolitical risks also contributed to heightened uncertainty. From a macroeconomic point of view, however, the situation seemed likely to support a continuation of current trends in the bond markets. Inflation in the USA (+0.2%), the UK (0%), the Eurozone (-0.1%), Japan (-0.3%) and China (0%) all supported a continuation of accommodative monetary policies and a downward adjustment of yield curves. Anticipation of a D. Trump victory was certainly one of the major factors pushing up ten-year Treasury rates from 3.6% to 4.4%, and reducing expectations of Fed rate cuts, with June 2025 Fed Funds rates rebounding from 3.2% to 3.9% in one month. Increases in jobless claims above previous months,

as well as negative job creation for the first time since 2020, have not yet been taken into account in the current context, which is overly influenced by the elections and the potential effects of the policies to be implemented from 2025 on the US debt, budget and Treasury financing requirements. D. Trump's policies, considered positive for growth, will nevertheless have an impact on interest rates through tax cuts, tariff hikes and new inflationary risks. But the rebound in rates to 4.4% already seems to us to incorporate the possible negative impacts of D. Trump's rate victory. The current level is therefore certainly a new entry point for bonds.



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