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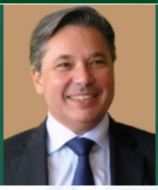
Investments - Flash



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FORECASTED RATE REVERSAL BECOMES REALITY

US Treasury rate decline spread to other capital markets

Just 30 days ago, when the outcome of the US presidential election was announced, we pointed out the extreme level of anticipation that had pushed 10-year US Treasury yields to 4.5%, stressing that this rise seemed to us largely unjustified by economic fundamentals. Today, as Trump forms his future government, his policies, particularly on tariffs, are becoming even more rigid, without causing any pressure on inflationary expectations or the level of equilibrium interest rates. On the contrary, what we predicted is actually happening in US interest rates, but also more broadly in other capital markets. After a period of excessive anticipation, we are now back to reality, with economic figures still pointing to a slowdown in inflation and a slightly weaker economy. In the United States, since peaking in the hours following Trump's election, 10-year yields accelerated their decline at the end of the month, as expected, to finish below 4.17%. We considered the 4.5% level to be a new entry point for bonds, and rightly so in the short term, based on this recent development. Having already gained 33 basis points, we still believe that US rates can fall back to 3.5% (an additional -67bp) and produce attractive capital gains over the coming months, on top of the high yields available. The longer end of the yield curve has also benefited from this adjustment, and we estimate that the potential upside on the TLT ETF could still be +8 to +10% in the coming months. While US bonds remain a "buy", the expected impact on European yields has been more intense, reducing opportunities and already approaching the lows of early October.