

Trust must be earned

Fixed Income in Focus: Navigating the US-Europe Divergence

JUNE 2025

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Welcome



Thebak Mathias Ehambaranathan

UK ETF Sales

Amundi ETF & Indexing

Fixed Income in Focus: Navigating the US-Europe Divergence



Olivier Genin

Deputy-Head of Market and Product Strategies & Head of Fixed Income Strategies
Amundi ETF & Indexing



Fabio Bassi

Head of Cross Asset Strategy
J.P. Morgan



Kate Onodi

EMEA Team Leader for Fixed Income Product Management
Bloomberg

Introduction



Olivier Genin

Deputy-Head of Market and Product Strategies & Head of Fixed Income Strategies

Amundi ETF & Indexing

Introduction & ETF Flows

Olivier Genin

Deputy-Head of Market and Product Strategies & Head of Fixed Income Strategies

Amundi ETF & Indexing

A global champion, at the heart of Europe

We are a brand of reference in 35 countries

The infographic features a central circle with the Amundi logo. To the left, a globe icon is associated with the heading 'Global coverage, local expertise'. To the right, a building icon is associated with the heading 'A commitment to excellence'. Below these are three key statistics: '#1 European ETF provider¹', '>€272 bn Assets under Management²', and '300+ ETFs available³'.

Global coverage, local expertise

- Offices in **35+ countries** in Europe, Asia-Pacific, the Middle-East and the Americas
- A wide range of ETFs **listed on major stock exchanges**: Euronext Paris, Xetra, London Stock Exchange, Borsa Italiana, SIX, Euronext Amsterdam, Bolsa Mexicana de Valores

Amundi
Investment Solutions

A commitment to excellence

- We only use **experienced & dependable index providers who have earned our trust**
- We collaborate with them constantly to **co-design the indices most relevant to you**

#1
European ETF provider¹

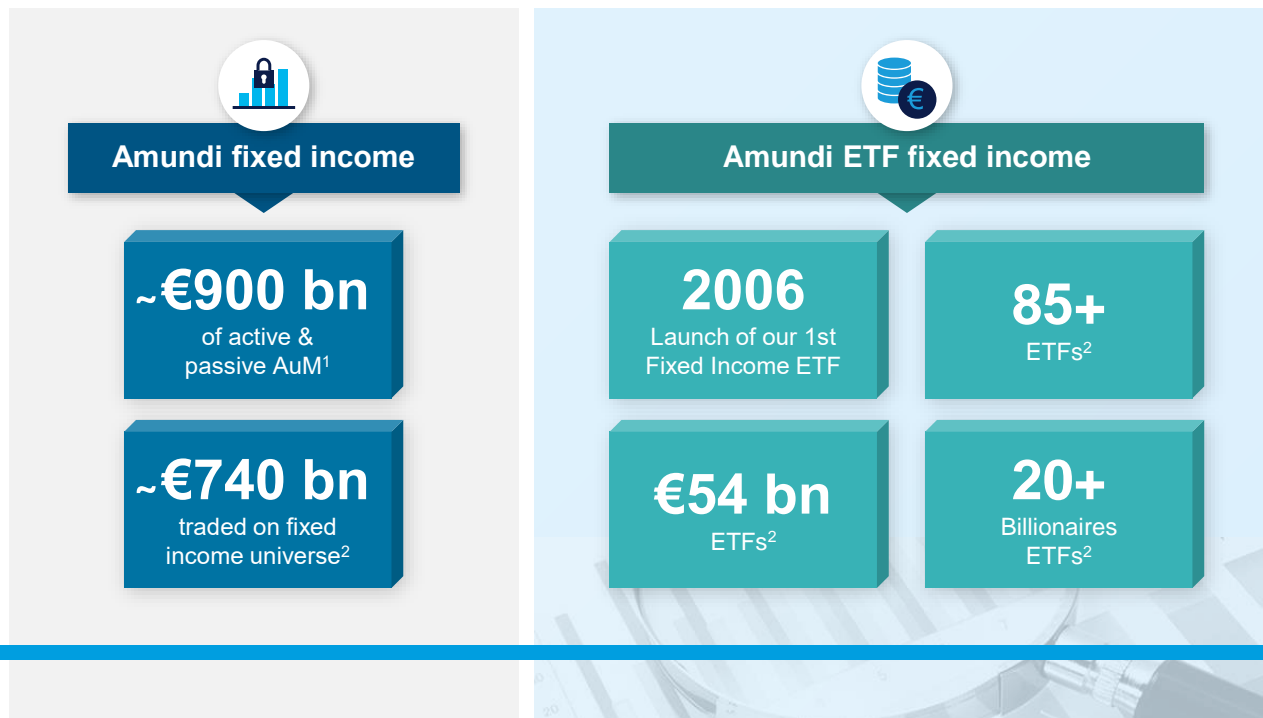
>€272 bn
Assets under Management²

300+
ETFs available³

1. Source: ETFGI, February 2025, Amundi is the leading European headquartered ETF provider within the European market. 2. Source: Amundi, ETC included, as of March 2025. 3. Source: Amundi, as of end-March 2025.

Information given for indicative purposes only, may change without prior notice.

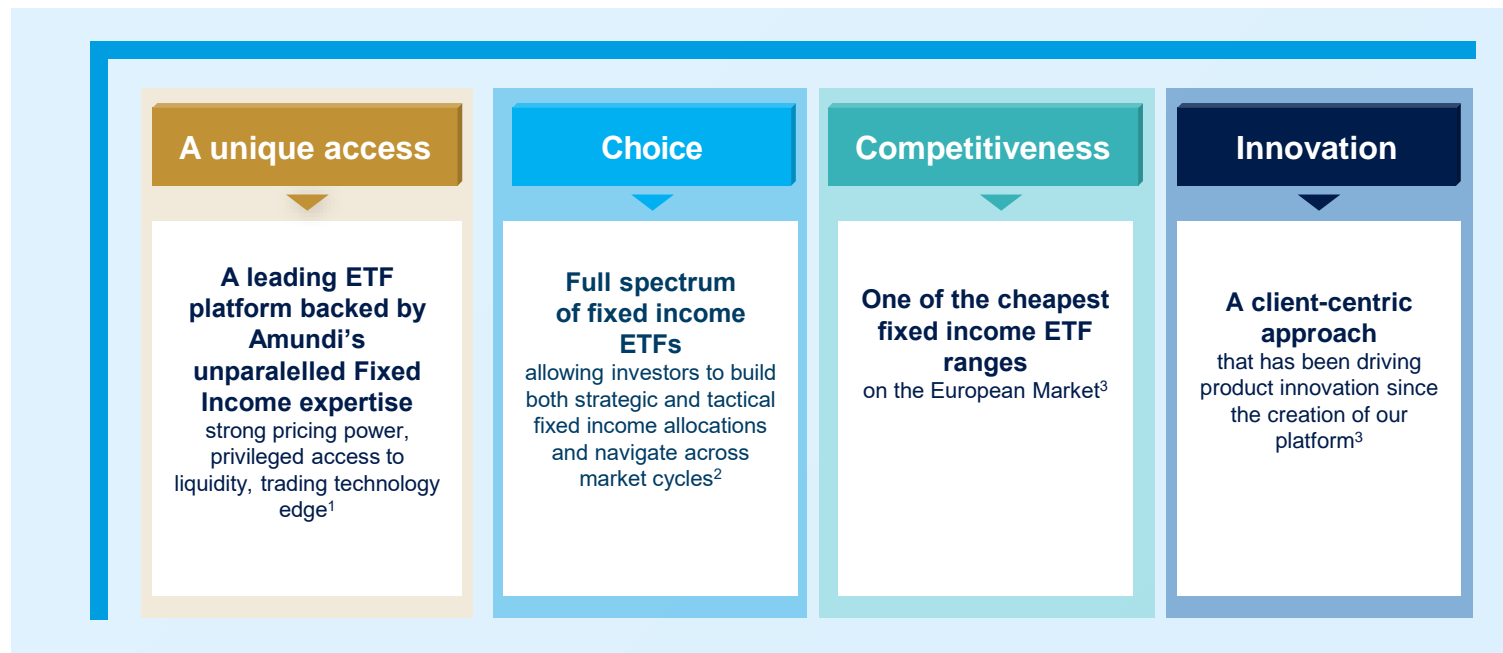
A key player in fixed income



1. Source: Amundi, as of end-December 2024, including liquidity solutions.

2. Source: Amundi, as of end-December 2024. Information given for indicative purposes only, may change without prior notice.

The four core features of our fixed income expertise

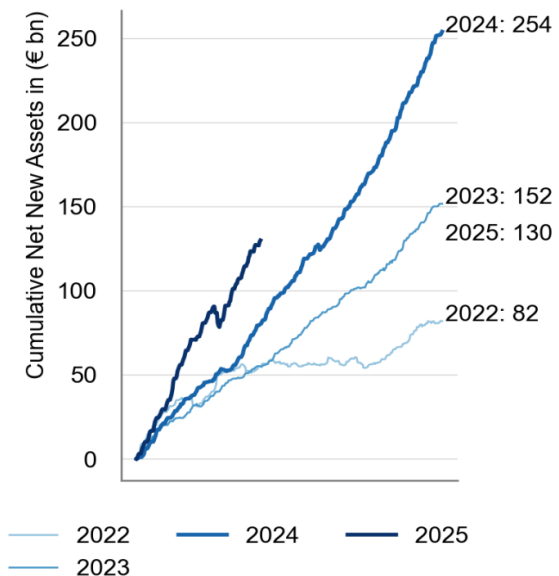


1. Source: Amundi – March 2025. 2. Amundi ETF Fixed Income range average Ongoing charges are lower than the European market: 14 bps vs 19 bps, source ETFGI, as of November 2024. Ongoing charges refer to the management fees and other administrative or operating costs of the fund. For more information regarding all the costs supported by the fund, please refer to its Key Investor Information Document (KIID). Transaction cost and commissions may occur when trading ETF. Information given for indicative purposes only, may change without prior notice. 3. Source: Amundi – March 2025.

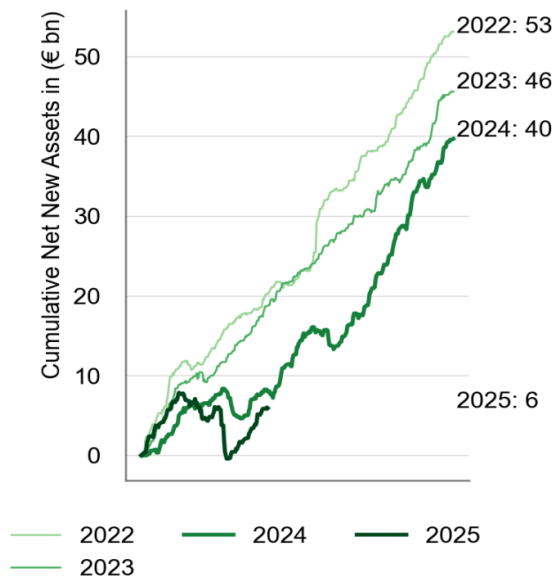
ETF European Market: Flows Analysis

About 2025 (YTD): Cumulated Flows - 2025 vs Previous Years (UCITS ETFs)

Cumulative Net Flows: ETFs



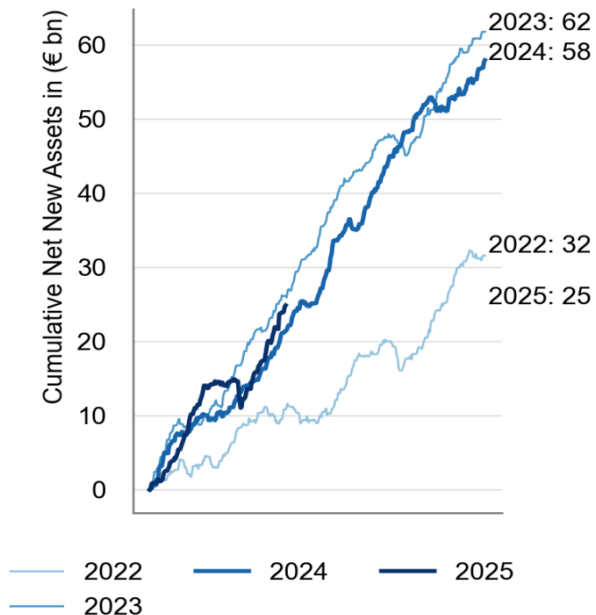
Cumulative Net Flows: ESG ETFs



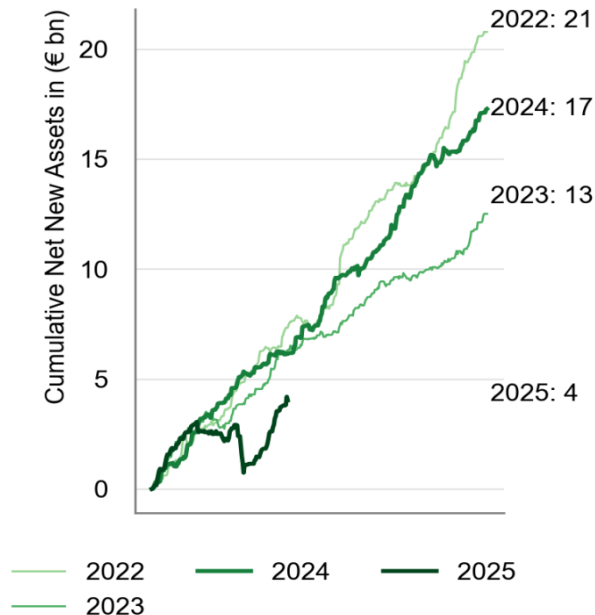
Source: Bloomberg LP, Amundi. Data as at 29.05.2025. Past performance is not indicative of future performance.

About 2025: Fixed Income ETFs (UCITS)

Cumulative Net Flows: ETFs



Cumulative Net Flows: ESG ETFs

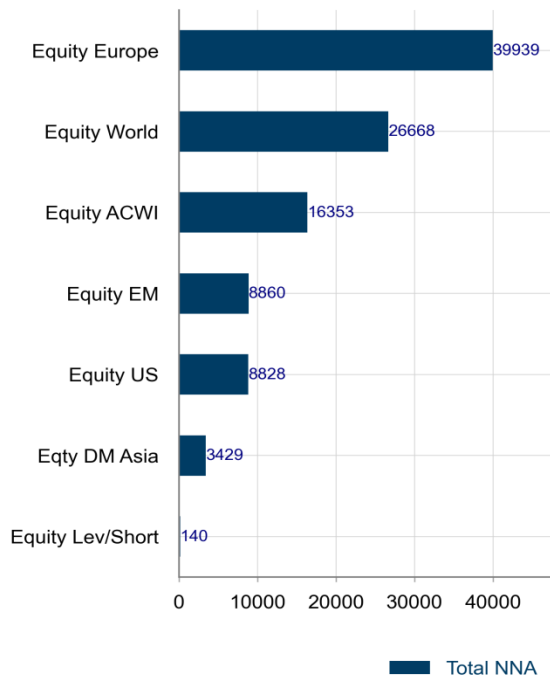


Source: Bloomberg LP, Amundi. Data as at 29.05.2025. Past performance is not indicative of future performance.

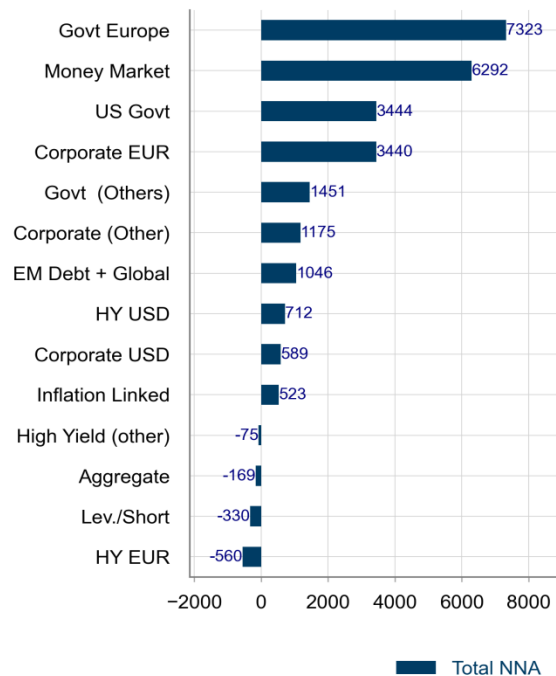
2025 (YTD): Equity and Fixed Income - Top Categories (UCITS ETFs)

Cumulative Flows into UCITS ETFs (€ Mn)

Equity ETFs: Net Flow by Category



Fixed Income ETFs: Net Flow by Category

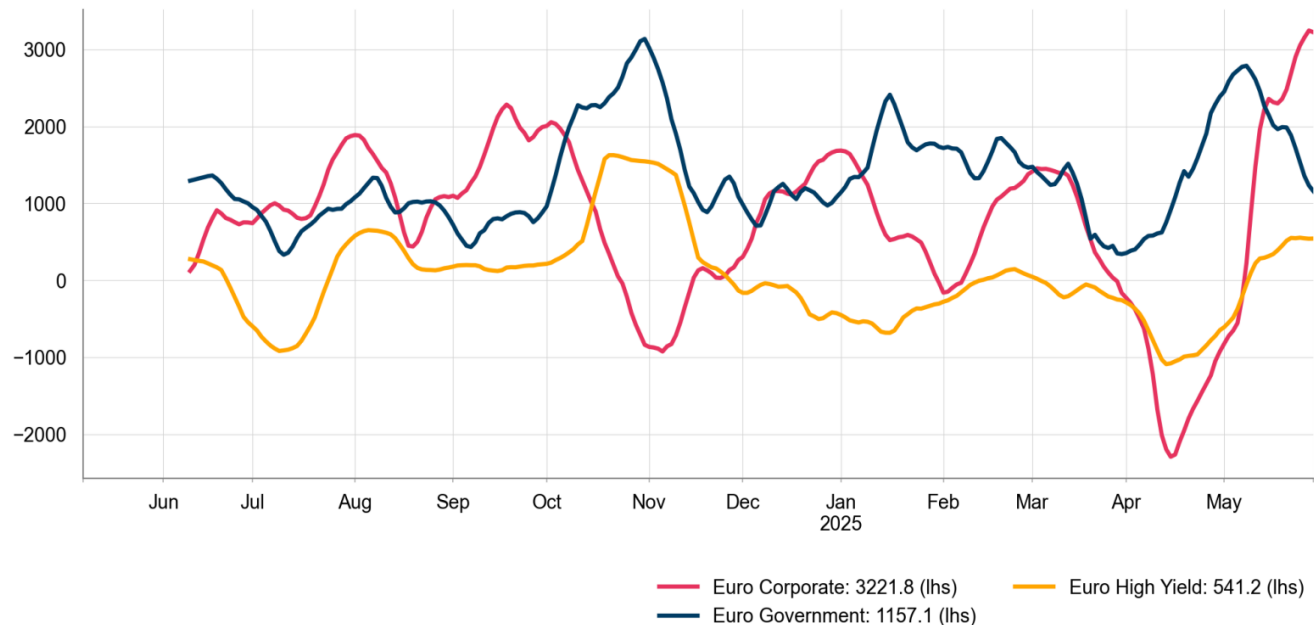


Source: Amundi, Bloomberg. Data as at 29.05.2025. Flows observed between 01.01.2025 and 29.05.2025. Past performance is not indicative of future performance.

Flow Momentum: Euro Fixed Income (UCITS ETFs)

Cumulative Flows into UCITS ETFs (cumulative flows over a 21-day rolling window, in € Mn)

Flow Trends - Euro Fixed Income (UCITS ETFs)

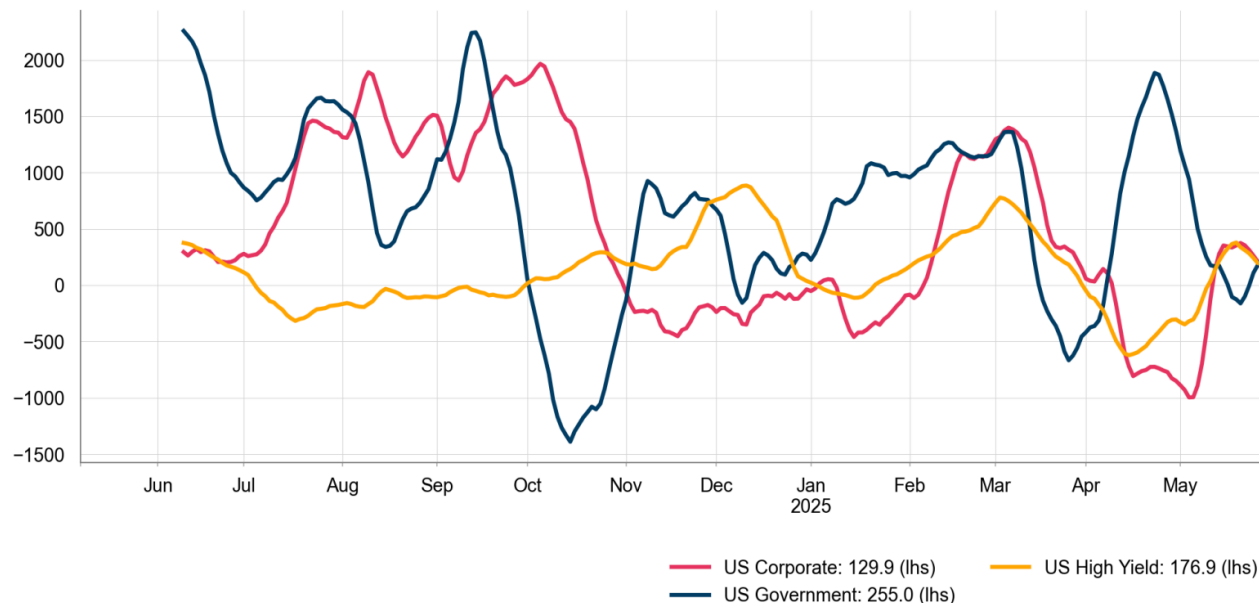


Sources: Amundi. Data available at 30.05.2025. Past performance is not indicative of future performance.

Flow Momentum: USD Fixed Income (UCITS ETFs)

Cumulative Flows into UCITS ETFs (cumulative flows over a 21-day rolling window, in € Mn)

Flow Trends - USD Fixed Income (UCITS ETFs)



Sources: Amundi. Data available at 30.05.2025. Past performance is not indicative of future performance.

JP Morgan: Cross asset strategy

Fabio Bassi

Head of Cross Asset Strategy

J.P. Morgan

Cross asset strategy

Assessing a shifting landscape

Fabio Bassi ^{AC}

(+44-20) 7134-1989

fabio.bassi@jpmorgan.com

J.P. Morgan Securities plc

What we learned so far in 2025?

- **Tariffs:** the assumption that tariffs will be used to extract concessions has been challenged with tariffs much higher than expected and Treasury Secretary stating that the trade war is “*unsustainable*”. However, there is a feedback loop to consider.
- **Trump put:** the strike seems to be more related to the broad evolution of dollar assets including US Treasuries and USD rather than only equity market weakness
- **US policies:** the negotiations between US and China have **lowered** the recession probability to 40% from 60% previously expected with the “*ugly*” version of US exceptionalism, US extreme policies and recession probability driven by sentiment and purchasing power squeeze
- **Monetary policy:** dispersion across central banks will persist but at the margin the weakness in US and the fiscal stimulus in Germany/EU should close the expectation on terminal rate
- **Sentiment:** we continue to monitor sentiment channels following weak business surveys and consumer confidence as persistent negative sentiment will impact the magnitude of the global drag of the trade war; Soft data likely to improve while hard data will pay for front loading
- **Sequencing:** the negative impact from tariffs and immigration policies can be felt before the benefits of tax cuts and deregulation are in the system; does the electoral cycle into mid-term election matter here?

Key drivers

- US tariff policy uncertainty and subsequent US/global recession fears: How much damage will be done if there is no rollback during this 90 day pause?
- Cyclical rotation away from US assets to the RoW given continued monetary and fiscal support in the Eurozone, AI advancement in China versus more extreme policies and unwinds in US assets
- Interaction between macro dynamics and monetary policy: the Fed holds an asymmetrical bias, which should create some feedback loop
- Potential changes in policies from the new US administration: What is the strike of Trump's put? Does the narrative about short term pain imply a much lower strike?
- Technological innovation and the broadening of the AI cycle: the broadening of the theme and the democratization of AI triggers a catch up narrative (new AI model from DeepSeek and Alibaba) with the US continuing to invest versus Europe's limited AI investment
- Positive factors:
 - Feedback loop from weaker oil and USD and lower rates
 - Balance sheet of corporates and households remains healthy and resilient
 - Fiscal easing in China and Europe and pro growth reforms in Japan
 - Broad development of the AI complex

JPM View: Shifting Horizons: From recession concerns to managing economic and US policies risks

- **Equities:** OW Japan, range bound US, neutral Eurozone, UK, OW EM vs. DM
- **Rates:**
 - **In DM rates,** Hold 2s/5s UST steepeners, take profit long 10Yx20Y US inflation swaps. Bullish Euro area via long 10Y bunds, 1Yx1Y ESTR and receive Jul25 ECB €STR. In UK, stop out of receiving Nov25 MPC OIS. In Japan, maintain mild short bias.
 - **In EM rates,** MW overall with OWs in Romania, Hungary, South Africa and Mexico.
 - **Credit:** Remain UW sovereign credit, MW EM corporate credit, expect widening for EUR HG/HY and tightening by YE-25 for US HG
- **FX:**
 - **In DM,** Stay long EUR/USD in cash, hold GBP & EUR shorts vs NOK, SEK as cash baskets, stay short EUR/SEK in options. Stay long AUD/USD, AUD/NZD; Short USD/JPY.
 - **In EM FX,** MW overall with OWs in: MYR, CZK, HUF, TRY offset by UW RON, COP.
 - **Commodities:** Stay long gold and short oil
- **Key US risks:** a) Extreme US policies derailing macro outlook via sentiment shock and purchasing power squeeze on the US consumer b) Fed drifting away from current asymmetrical bias
- **EU upside risk:** proper peace agreement in the Russia/Ukraine war, reallocation of US to European assets, supportive fiscal and monetary policies

Our base case assumes that the current expansion will be challenged in 2025, with performance gaps across countries and 40% probability of US recession

Quarterly annualised growth rate from 4Q24 until 1Q26 (J.P. Morgan forecasts in grey); q/q saar						
	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
United States	2.5	-0.2	4.0	0.0	0.5	1.5
United Kingdom	0.4	2.9	0.6	0.6	0.8	0.8
Japan	2.4	-0.7	1.2	0.6	0.8	0.8
Euro area	1.0	1.3	0.8	0.5	0.8	1.0
Germany	-0.8	1.7	0.8	0.8	1.0	1.0
France	-0.3	0.5	0.2	0.2	0.8	0.8
Italy	0.8	1.1	0.2	0.2	0.5	0.5
Spain	2.9	2.3	2.0	1.5	1.8	1.8
Australia	2.4	1.4	1.4	1.3	2.3	2.6
New Zealand	2.6	2.4	1.1	2.3	1.8	2.5
China	7.6	6.6	3.0	3.0	3.0	4.9
Global	3.2	2.3	2.5	1.1	1.4	2.4
Developed markets	1.9	0.5	2.3	0.3	0.7	1.3
Emerging markets	5.2	4.8	2.8	2.3	2.5	4.0

Source: J.P. Morgan; as of May 30th, 2025

The ECB direction is still downward with a terminal rate of 1.75%

Euro area forecasts

%oya, except where stated, annuals are %oya except deposit rate

	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26	2024	2025	2026
Real GDP (% over previous period)															
EA	1.3	0.7	1.7	1.0	1.3	0.8	0.5	0.8	1.0	1.3	1.5	1.5	0.8	1.0	1.0
Germany	0.9	-1.2	0.4	-0.8	0.8	0.8	0.8	1.0	1.0	1.5	1.8	1.8	-0.2	0.5	1.2
France	0.5	1.3	1.8	-0.3	0.5	0.3	0.3	0.8	0.8	1.3	1.3	1.3	1.1	0.5	0.8
Italy	0.7	0.8	0.0	0.7	1.0	0.5	0.3	0.5	0.5	1.0	1.0	1.0	0.5	0.5	0.6
Spain	4.2	3.3	2.9	2.9	2.3	2.0	1.5	1.8	1.8	1.8	1.8	1.8	3.2	2.3	1.7
U-rate (% oya)	6.5	6.4	6.3	6.3	6.2	6.2	6.3	6.4	6.4	6.4	6.4	6.4	6.4	6.3	6.4
Inflation (% oya)															
Headline	2.6	2.5	2.2	2.2	2.3	2.0	1.6	1.5	1.2	1.4	1.7	1.8	2.4	1.9	1.5
Core	3.1	2.8	2.8	2.7	2.6	2.6	2.2	2.1	2.0	1.7	1.7	1.8	2.8	2.4	1.8
ECB depo rate	4.00	3.75	3.50	3.00	2.50	2.00	1.75	1.75	1.75	1.75	1.75	1.75	3.50	1.75	1.75

Source: J.P. Morgan; as of May 23rd, 2025

Fundamental supports promote US resilience despite softer start to the year, but risks of more disruptive US policies raise concerns, inflation pressure will leave the Fed on hold and in wait-and-see mode over the short term

US election impact on the global outlook for 2025

	Global	US	Euro area	China	RoW
Tariffs/Immigration					
Growth	-	-	0	-	-
Inflation	+	+	0	-	+
Fiscal/Regulatory					
Growth	+	+	+	+	+
Inflation	+	+	+	+	+
Sentiment					
Growth	?	+	-	-	-
Inflation	+	+	-	-	+
Net					
Growth	0	+	-	-	-
Inflation	+	+	-	-	+
Policy rate	+	+	-	-	+

Source: J.P. Morgan; as of November 2024

Trump 2.0 incorporates an unresolved internal tension

- Objective 1: Relieve tax and regulatory burdens on US firms
- Objective 2: Reduce US engagement with rest of the world
- Our baseline has a compromise that avoids extremes: modest tariff hikes, modest tax cuts, tight borders but no deportations
- This would reinforce our biases: front-loaded 2025 growth, sustained regional divergence (US exceptionalism at expense of RoW), sticky inflation and less CB easing overall (with greater divergences)
- However, we are becoming more concerned that US policy actions will weigh on demand and damage sentiment in a manner that shakes the foundation of the expansion

The revision of our recession probability has triggered an upwards revision to 10Y UST with the Fed now expected to cut only once in 2025 and three times in 2026

J.P. Morgan forecast for end-2025 cross asset levels in our 2025 Outlook (November 2024), post Liberation Day with 60% recession and latest with 40% recession probability

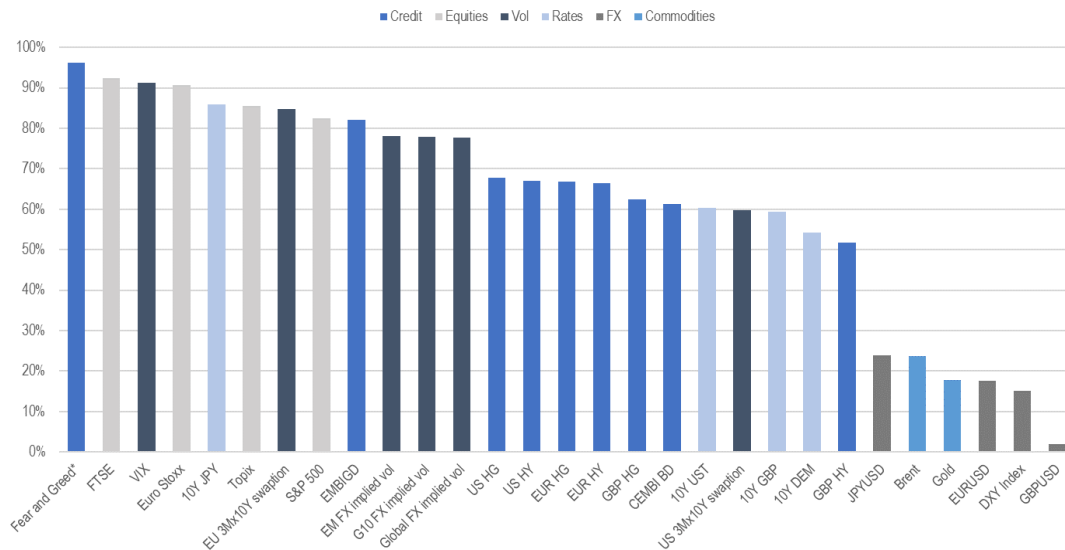
Asset Class	Name	Forecast as of	Forecast after	Latest forecast
		Nov-2024	Liberation Day (60% recession)	(40% recession)
		Dec-25	Dec-25	Dec-25
Rates	10Y UST	4.25	3.65	4.35
Rates	10Y DEM	2.05	2.40	2.40
Rates	10Y GBP	4.10	4.30	4.30
Rates	10Y JPY	1.50	1.70	1.50
Equities	S&P 500	6500	5200 - 5800	5200 - 5800
Equities	MSCI Eurozone	300	345	345
Equities	FTSE	8600	9000	9000
Equities	Topix	3000	3000	3000
FX	DXY	103	100	95
FX	EUR	1.08	1.14	1.20
FX	GBP	1.32	1.31	1.35
FX	JPY	148	148	140
Credit	EUR HG	130	145	145
Credit	EUR HY	400	475	475
Credit	US HG	80	125	95
Credit	US HY	325	600	450
EM	EMBIGD	400	450	450
EM	CEMBI BD	230	230	230
Commodities	Brent, \$/bbl avg	73	-	66
Commodities	Gold, \$/oz qtr end	2950	-	3675

Source: J.P.Morgan, latest forecast as of May 16, 2025.

The implied probability of a recession currently priced in equities is around 20-25%

Cross asset retracements

Retracement defined as the pullback from the local peak or trough exhibited by each asset pre and post Liberation Day



* Fear and Greed is a JPMorgan Credit Derivatives indicator

Source: J.P. Morgan estimates, Bloomberg Finance L.P.; Last as of May-22-2025

How frequently investors run away from US assets? Over the past 25 years we identified three instances of simultaneous negative US equity, US Treasury and USD negative returns

Periods of simultaneous declines across S&P 500 index, US Treasury index and DXY index

Rolling 1M returns of the S&P 500, JPM US Treasury index and DXY index; Focusing on episodes that saw 10 consecutive days of negative S&P 500 returns and those instances where S&P decline was greater than 5%

Date	S&P 500 index 1M rolling return	UST index 1M rolling return	DXY index 1M rolling return	Number of days in the period
21-Apr-25	-9.0%	-0.6%	-5.6%	15
30-Dec-22	-5.8%	-1.3%	-1.2%	4
15-Sep-15	-5.9%	-0.8%	-1.2%	14

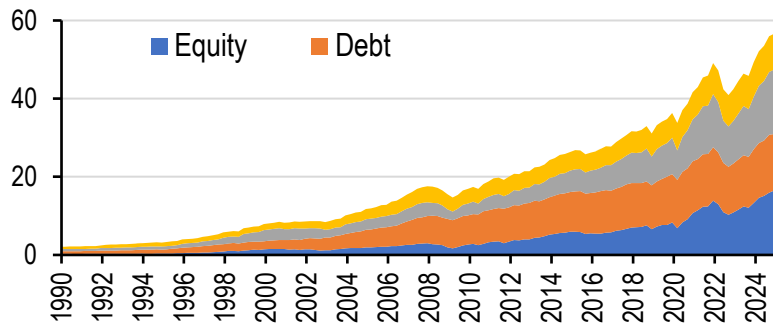
Source: J.P. Morgan, Bloomberg

- September 2015: This move was driven by idiosyncratic repricing of Fed expectations into the expected first hike (initially expected for September) which was eventually delivered in December 2015. This occurred amid worries around China growth and currency devaluation.
- December 2022: This move was driven by a sharp repricing of monetary policy expectations with more aggressive hikes from the Fed and non-US DM central banks. Fears on inflation contributed to the negative performance in risky assets and UST at a time when higher RoW yields contributed locally to weaker USD (modest currency move)
- April 2025: Recent move was driven by broad concerns regarding US assets and further fueled by headlines regarding the administration's potential removal of Chair Powell.

Concerns about the dollarization have grown due to \$16.5tn in foreign held US equities and \$14.5tn in US bonds; We anticipate modest portfolio adjustments and potential increases in FX hedge ratios, viewing these changes as more cyclical than structural

Foreign ownership of US financial assets reached \$56.6 trillion by the end of 2024

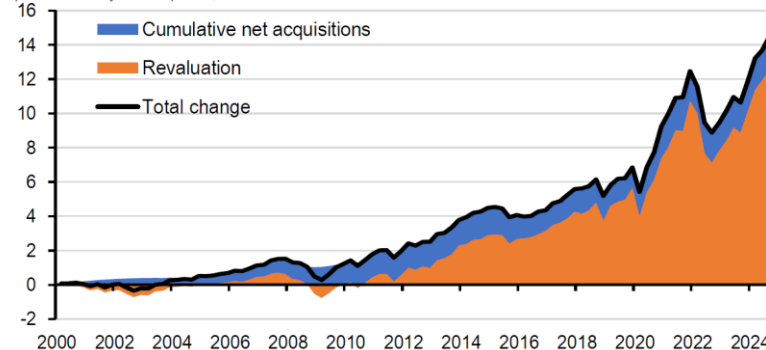
USD trillions, Q1/1990- Q4/2024, quarterly. Financial assets as reported in the *US Financial Accounts*



Source: J.P. Morgan, Board of Governors of the Federal Reserve System

Growth in foreign holdings of US corporate equities

USD trillions, Q1/1990- Q4/2024, quarterly. Changes relative to end of Q4/1999. Includes public equities, private/closely held equities, ETFs. Excludes mutual fund shares

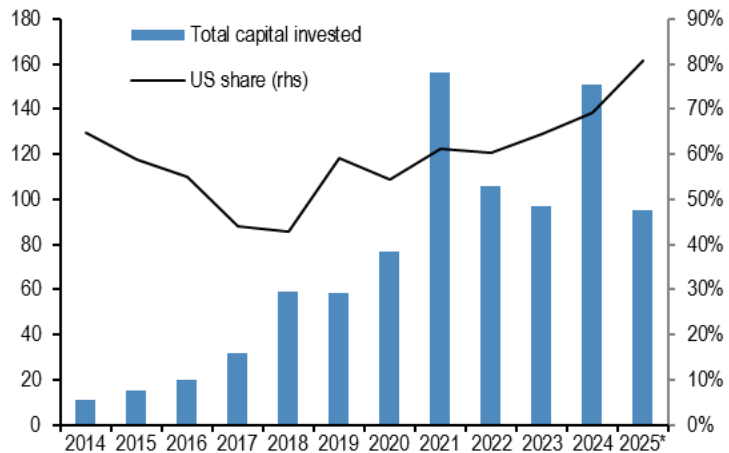


Source: J.P. Morgan, Board of Governors of the Federal Reserve System

- Foreign ownership of US financial assets reached \$56.6 trillion by the end of 2024, including \$16.5 trillion of equities and \$14.5 trillion of debt securities but we think the risk of large outflows is generally quite low
- In Equities, foreign investors are likely to remain attracted to what they see as the growth potential of the US and there remains no clear alternative to US Treasuries that offers their safety, stability and liquidity in volumes needed to meet global safe asset demand

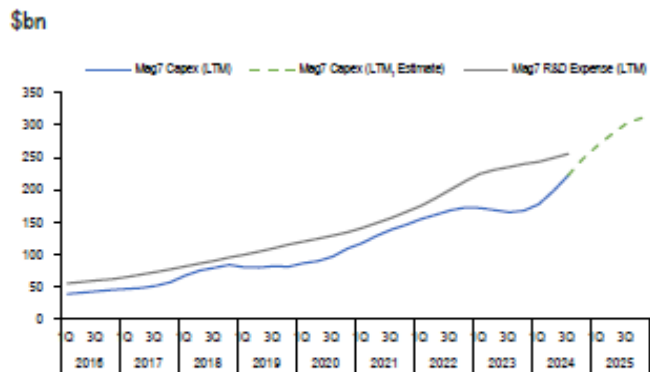
The US exceptionalism on AI relies on first mover advantage and large concentrated capex, broadening of the AI theme after DeepSeek and Alibaba

Capital invested by Venture Capital funds into AI & ML deals and US share of the capital invested



Source: Pitchbook, J.P. Morgan.

Mag7 capex expected to accelerate and outpace R&D expense by next year



Source: J.P. Morgan Equity Macro Research, Bloomberg Finance L.P., Factset, I/B/E/S, Compustat.

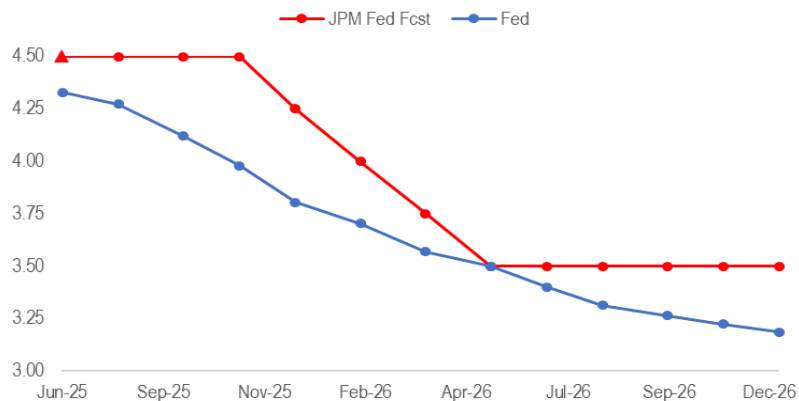
Shifting Horizons: From recession concerns to managing economic and US policies risks

Core recommendations by asset class	
Equities	<p>Country: OW Japan, range bound US, N Eurozone, UK, OW EM vs DM.</p> <p>Sector: OW Utilities, Staples, Healthcare, Real Estate, Aerospace & Defence, Comm Services; Neutral Technology, Financials; UW Materials, Cons. Disc.</p>
Bonds	<p>DM Duration: Hold 2s/5s UST steepeners, Take profit long 10Yx20Y US inflation swaps. Bullish Euro area via long 10Y bunds, 1Yx1Y ESTR and receive Jul25 ECB €STR. In UK, stop out of receiving Nov25 MPC OIS. In Japan, maintain mild short bias.</p> <p>EM Duration: MW overall with OWs in Romania, Hungary, South Africa and Mexico.</p>
Credit	<p>US HG: Tightening. OW Telcos, Autos, Utilities, Healthcare, Yankee banks; UW Energy, Basic Industries, Retail, Finance Cos, Insurance, REITs.</p> <p>Euro HG: Widening. OW GBP IG vs EUR IG. OW A vs. UW BBB, OW non-cyclicals vs. UW cyclicals, OW Bank T2 vs. UW Corp Hybrid, OW BBB 1-3y.</p> <p>Euro HY: Widening. OW BB vs. B.</p> <p>EM: UW sovereigns; MW corporates.</p>
Currencies	<p>DM: Stay long EUR/USD in cash, hold GBP & EUR shorts vs NOK, SEK as cash baskets, stay short EUR/SEK in options. Stay long AUD/USD, AUD/NZD; Short USD/JPY.</p> <p>EM: MW overall with OWs in: MYR, CZK, HUF, TRY offset by UWRON, COP.</p>
Commodities	<p>Long: Gold, Silver, and Platinum.</p> <p>Short: Oil, Industrial and Base metals.</p>

Source: J.P. Morgan as of May 30th 2025

The market is pricing ~45bp and ~55bp cuts for the Fed and ECB policy rates by December 2025 while JPM forecast 25bp and 50bp of cuts by year end

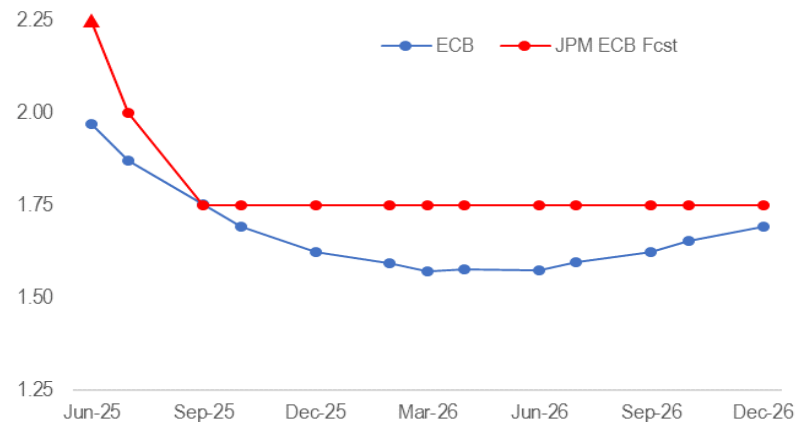
Fed funds rate by FOMC meeting date implied by OIS curve versus JPM forecast; %



Note: Federal funds rate upper bound = 4.50%, current effective funds rate = 4.33%, triangle represents current upper bound

Source: J.P. Morgan.

ECB Depo Rate by ECB meeting date implied by OIS curve versus JPM forecast; %



Note: Current ECB Depo Rate = 2.25%, current ESTR O/N rate = 2.16%, triangle represents current ECB depo rate

Source: J.P. Morgan.

We revise up our Treasury yield forecasts to reflect later and shallower Fed easing

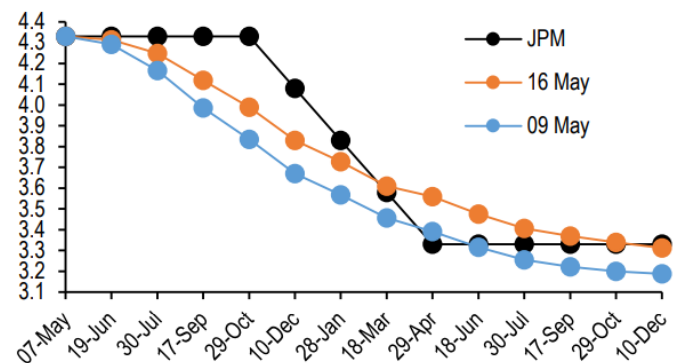
J.P. Morgan US interest rate forecast, %

	Actual 16-May-25	1m ahead 16-Jun-25	2Q25 30-Jun-25	3Q25 30-Sep-25	4Q25 31-Dec-25	1Q26 31-Mar-26
Rates (%)						
Effective funds rate	4.33	4.33	4.35	4.35	4.10	3.60
SOFR	4.31	4.31	4.35	4.35	4.10	3.60
Treasury Yields (%)						
2-yr Treasury	3.98	3.90	3.90	3.75	3.50	3.25
3-yr Treasury	3.96	3.95	3.90	3.75	3.60	3.45
5-yr Treasury	4.06	4.05	4.00	3.90	3.70	3.50
7-yr Treasury	4.24	4.25	4.15	4.05	3.85	3.65
10-yr Treasury	4.44	4.45	4.40	4.40	4.35	4.25
20-yr Treasury	4.92	4.95	4.85	4.85	4.80	4.70
30-yr Treasury	4.90	4.90	4.85	4.85	4.85	4.80
Spreads (bp)						
Fed funds/2yr	-35	-43	-45	-60	-60	-35
2s/10s	46	55	50	65	85	100
2s/5s	8	15	10	15	20	25
5s/10s	38	40	40	50	65	75
5s/30s	83	85	85	95	115	130
10s/30s	46	45	45	45	50	55

Source: J.P. Morgan

- Looking ahead, given the significant de-escalation in the trade war with China, we now project real GDP growth for this year at 0.6% (4Q/4Q), up from 0.2% previously, core PCE inflation ending the year at 3.5%, down from 4.0% previously, and a **first Fed cut in December, versus September previously. After December, we see a further three sequential cuts, taking the funds rate target range to 3.25-3.5% by 2Q26**
- Against this backdrop, we revised up our Treasury yield forecasts earlier this week, and we now see **2-year Treasury yields ending the year at 3.50%**, versus 3.10% previously. We also **forecast 10-year yields will end the year at 4.35%**, up from 4.00% previously

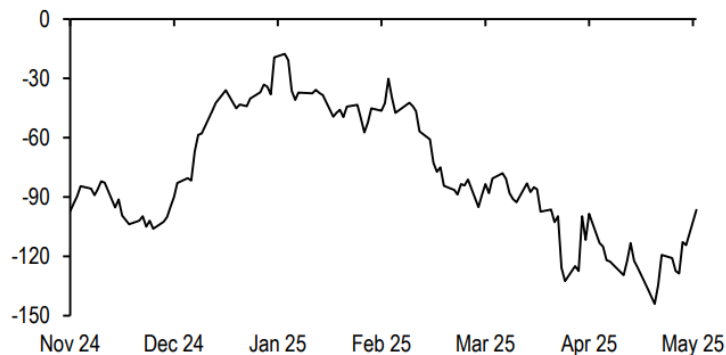
Fed funds rate by FOMC meeting date implied by OIS curve versus JPM forecast; %



Source: J.P. Morgan

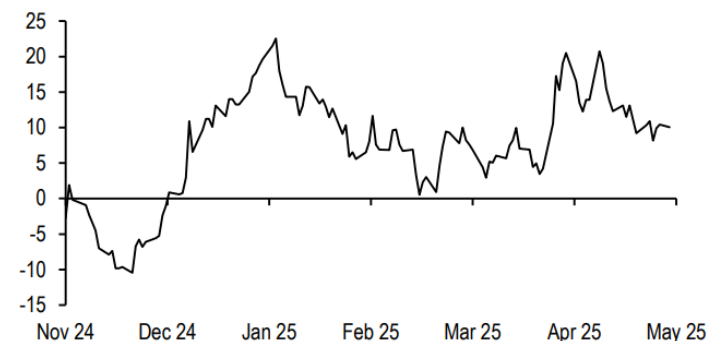
We turned neutral on duration, but maintain 2s/5s UST curve steepener

Cumulative Fed easing priced by YE2026; bp



Source: J.P. Morgan

2s/5s Treasury yield curve; bp

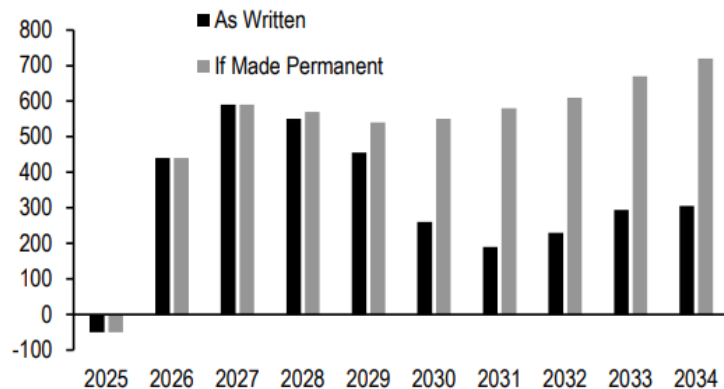


Source: J.P. Morgan

- Given the shift in fundamental outlook as well as lingering risks, we stopped out of 2-year duration longs and **turned neutral on duration**
- That said, **we maintain 2s/5s curve steepeners** — we think this exposure offers asymmetric upside in the current environment, as the curve is likely to steepen sharply in the event that a deterioration in labor market data over coming months drives market expectations of deeper rate cuts

The broad yield curve is likely to remain sensitive to developments on the fiscal policy landscape over the near term

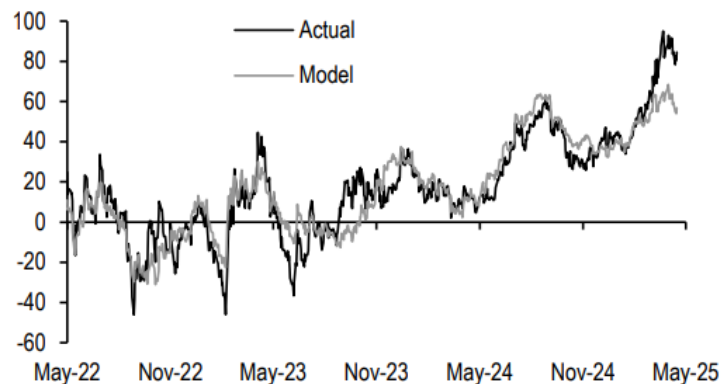
Deficit impact (including interest) by fiscal year*: \$bn



* Assumes current auction schedule through FY29 and incorporates borrowing capacity created by SOMA reinvestments assuming Treasury QT runs at current pace through March 2026

Source: US Treasury, CBO, CRFB, J.P. Morgan

5s/30s curve versus J.P. Morgan fair value model*: bp

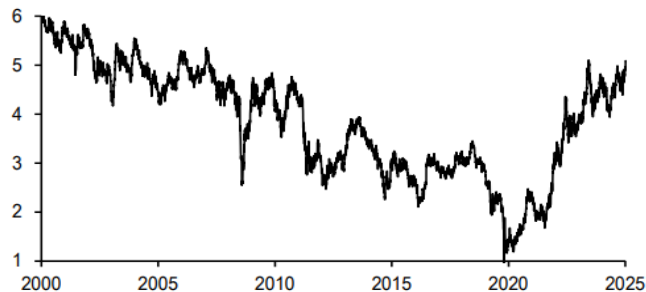


* Model regresses 5s/30s curve on 1Yx1Y OIS rates (%), 5Yx5Y seasonally-adjusted TIPS breakevens (%), and Fed balance sheet as a share of US GDP (%); Regression over the last 3 years; R²=84.1%; SE = 10.1bp
Source: J.P. Morgan

- Away from the front end, **the broad yield curve is likely to remain sensitive to developments on the fiscal policy landscape** over the near term. Thus, with respect to deficit-financing needs over the next few years, the impact of the House bill, if passed, would be small relative to our current assumptions
- Thus, based on the detailed scoring from CRFB and the JCT, our economists estimate that the bill would create roughly \$265bn of fiscal thrust in FY26 (0.9% of GDP) if passed as written

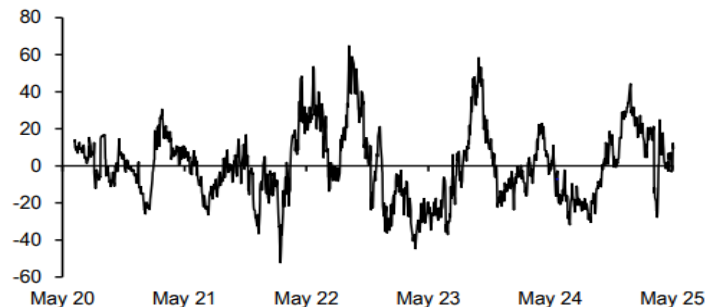
Though term premium is now in line with averages observed in the decade prior to GFC and appears fair values, in our view

Long-end yields are back at levels that persisted pre-GFC...; 30Y UST yields %



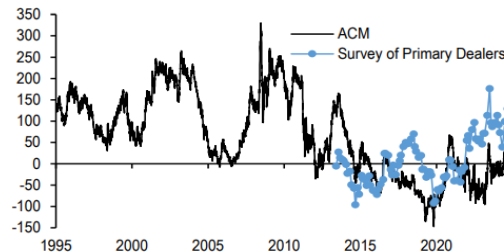
After adjusting for the tariff shock, the long term UST appear fairly valued

Residual on J.P. Morgan 10-year Treasury fair-value model with dummy variable added for US trade conflict*; units as indicated; * 10-year Treasury yields regressed on 3m3m OIS rates (%), 5y5y seasonally-adjusted TIPS breakevens (%), J.P. Morgan U.S. Forecast Revision Index (%), Fed forward guidance (months), Fed B/S as share of the US economy (%), and dummy variable on 3/26/25 to mark shift in trade regime. Regression over the last 5 years: R-squared = 97.9%, SE = 19.5bp



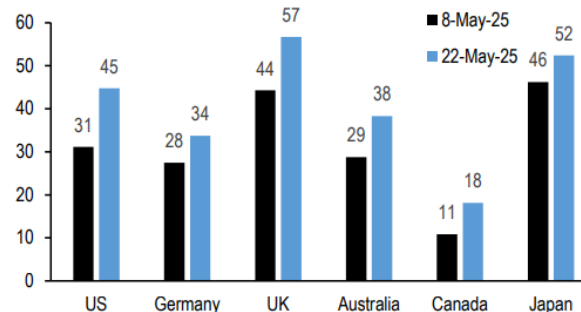
...supported by a continued rise in term premium

ACM 10-year Treasury term premium compared with term premium estimated from Survey of Primary Dealers*; bp; *We average 10-year zero-coupon yield from Treasury par curve for the two weeks ahead of SPD submission dates and subtract the 10-year average expectation of the Federal funds rate



Treasuries have modestly underperformed most of their DM peers, adjusting for changes in front-end yields over the last month, but JGBs have moved most aggressively

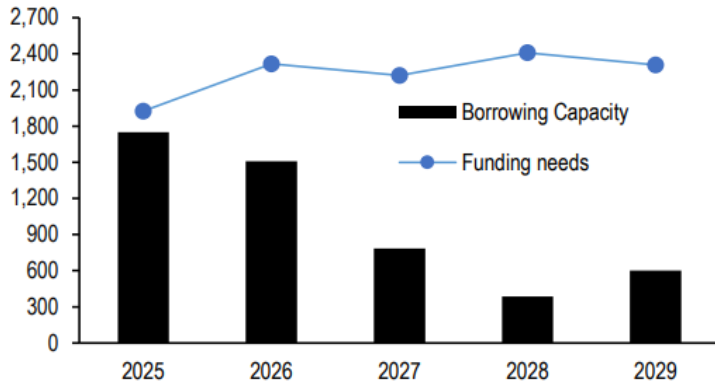
Rolling 2-year residuals of various 5s/30s government curves regressed on 2-year government bond yields, 5/8/25 vs. 5/22/25; bp



Treasury is well funded through FY25 but financing needs are set to increase in coming years as budget deficits are expected to widen as the TCJA is extended and interest expense rises

Treasury is well funded in FY25, but a large funding gap opens in FY26 and beyond

US Treasury net coupon borrowing capacity* versus total funding needs, \$bn

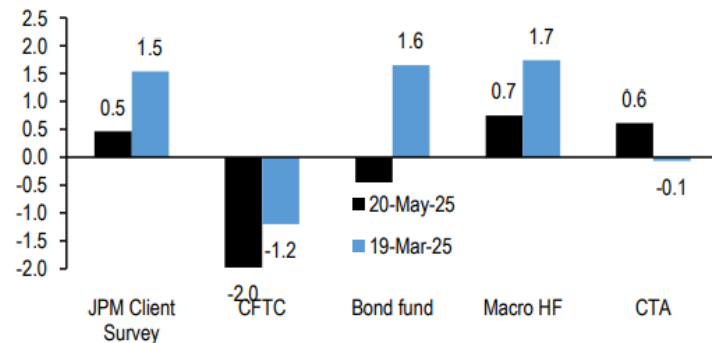


*Assumes current auction schedule through FY29 and incorporates borrowing capacity created by SOMA reinvestments assuming Treasury QT runs at current pace through March 2026

Source: US Treasury, CBO, J.P. Morgan.

Investor positioning was very long prior to the first round of tariff announcements in March but is relatively neutral now

Current value of various position indicators* versus 2 months ago; 1-year z-score



* JPM Client Survey refers to a 4-week moving average of our Treasury Client Survey Index; (Longs+Neutrals)/(Shorts+Neutrals), see Survey Says: Using the Treasury Client Survey to predict rates moves, 7/21/23 for more details. CFTC refers to the non-commercial net longs in UST and SOFR futures contracts reported by the CFTC. CTA beta is the four-week partial beta of SG CTA Index to 10-year UST yields. Real money beta is the eight-week partial beta of excess returns of the 20 largest actively managed US core bond funds to 10-year UST yields. Macro HF beta is the six-week partial beta of HFRX Macro/CTA Index to 10-year UST yields

Source: CFTC, Bloomberg Finance L.P., SG, HFR, J.P. Morgan.

The announced 20% tariff on EU imports into the US biases ECB rates lower, despite the recent European U-turn on fiscal policy

EU president von der Leyen announced the “ReArm Europe” plan, expected to mobilise close to €800bn over the coming years for European defence. Our view is that most of the increase in European defence spending will be implemented at country level

Summary table of announced ReArm Europe plan

ReArm Europe plan	Details	
Defence spending at national level	up to €650bn over 4 years (i.e. an increase in countries defence spending by 1.5% GDP on average)	Possibility to activate the national escape clause to increase defence spending without triggering EDP
New EU instrument	€150bn loans	New EU-level instrument for defence investment (joint defence procurement & Ukraine support)
EU budget	Possibility to use cohesion policy programmes to increase defence spending	
Savings and Investment Union	-	
European Investment Bank	Extend mandate to include financing of projects for military use	

Source: J.P. Morgan.

Germany's CDU leader Merz also announced a massive u-turn for the country's fiscal policy

Summary table of announced ReArm Europe plan

Merz announcement	Details	
€500bn Infrastructure Fund	€500bn over 10 years for infrastructure expenditures on top of what debt brake allows (€400bn at federal level and €100bn at Local/State level)	
Exempting “required” defence spending from the debt brake	Defence spending that exceeds 1% of GDP would not count towards the debt brake calculation	
0.35% deficit allowance for State/Local	Allow state/local governments to run a 0.35% structural deficit, instead of the current requirement of a balanced budget	
Further reforms by end-2025	Possibly reform the debt brake to avoid overly restricting investments	

Source: J.P. Morgan.

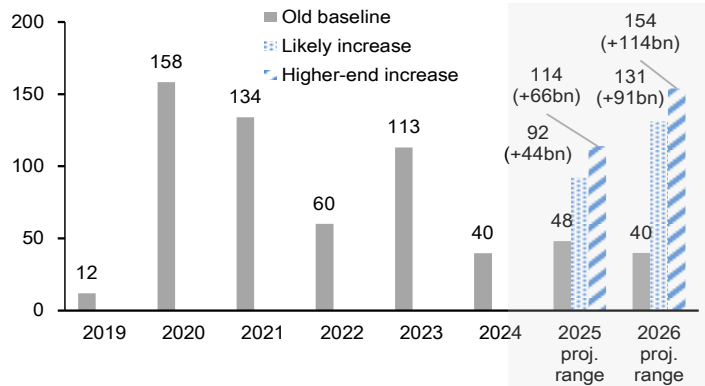
Baseline and risk scenarios on Russia/Ukraine ceasefire: optimism on a ceasefire agreement could lead to expectation of a comprehensive peace agreement

Scenario analysis on Russia/Ukraine ceasefire			
Scenarios	Baseline: Ceasefire WITHOUT security guarantees	Risk-on scenario: Ceasefire WITH credible security guarantees	Risk-off scenario: No ceasefire - sanctions to Russia
Equity	Modest upside, mild US outperformance	EU outperformance	US exceptionalism
FX	Modest EUR upside	Strong EUR	Bullish USD
Rates	Neutral Euro rates	Bearish long end Euro rates, narrower German swap spreads	Bullish Euro rates
Commodity	Modest bearish energy, modest bullish gold	Bearish energy, short gold	Bullish energy, long gold
Credit	Modest OW US HG	OW EU Credit	Strong OW US HG
EM	Neutral	Bullish	Bearish
TTF €/MWh	45-48	35-40	55 or higher

Source: J.P. Morgan

German fiscal package: incremental change of €25bn higher to our 2025 Germany bond + T-bill issuance forecast; eventual impact could be as high as €45-65bn of 2025 higher issuance

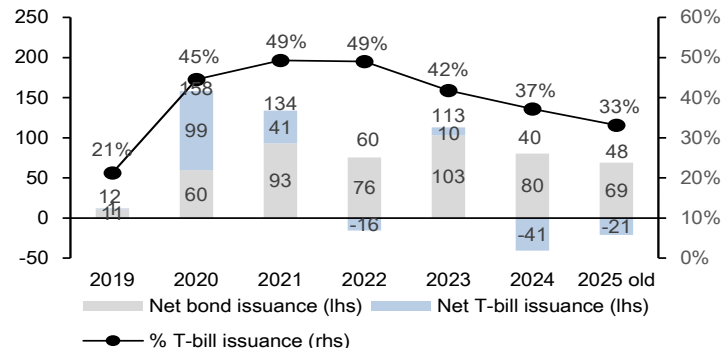
We see 2025 net German federal issuance (bonds + T-bills) needs eventually increasing by €45-65bn to roughly €90-115bn vs. current official forecast of around €50bn
 German federal net issuance (bonds+T-bills); JPM projections under various scenarios for 2025-26; €bn



Source: Finanzagentur, J.P. Morgan

We believe that increasing T-bill issuance will likely be the first part of call to fund decent part of increasing funding needs of 2025

German federal net bond and T-bill issuance and ratio of gross T-bill issuance/gross T-bill+Bond issuance; €bn



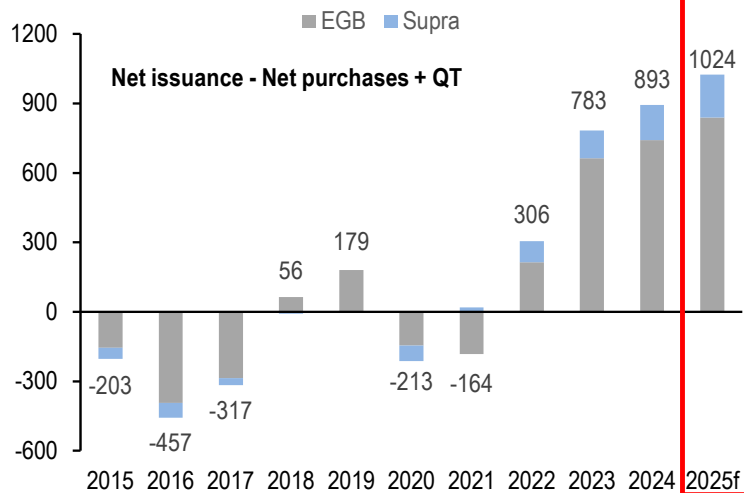
Source: Finanzagentur, J.P. Morgan

- Although we believe the eventual impact from the fiscal package (defence+infrastructure) could be around €45-€65bn higher 2025 issuance to be executed during 2H25 (see [Germany: An attempt at some fiscal calculations](#), 7 Mar), we currently make an incremental change of €25bn increase to our 2025 Germany bond + T-bill issuance forecast given still high degree of uncertainty of the execution/timing and will revisit it during our mid-year update
- In their investor call, the Finanzagentur expressed preference to maintain gross T-bill/total gross issuance ratio stable around 33%; implying that third of higher funding needs will be covered by T-bills. Finanzagentur also mentioned their plan to reactivate 7Y issuance in 2H25. **We, therefore, increase our 2025 German gross bond issuance target higher by €15bn to €275bn, with all increase going into 7Y sector, and also increase net T-bill issuance by around €10bn to -€10bn vs. current official target of -€21bn**
- The Finanzagentur kept the 2Q25 funding plan unchanged, as expected, with higher fiscal package funding in 2H25 story. Also, the Finanzagentur stressed that focus is not going to be on repo activities and own holding selling as source of funding over 2H25

EGB supply vs. ECB flow dynamics to modestly deteriorate in 2025 vs. 2024, while demand for Euro govies to absorb heavy EGB supply given continued focus on carry trades

The 2025 supply vs. ECB flow dynamics should deteriorate modestly vs. 2024, mainly due to PEPP QT

JPM estimates of Euro area central government and Euro supranationals bond supply vs. ECB PEPP+PSPP purchases under current ECB policy, €bn



Source: J.P. Morgan

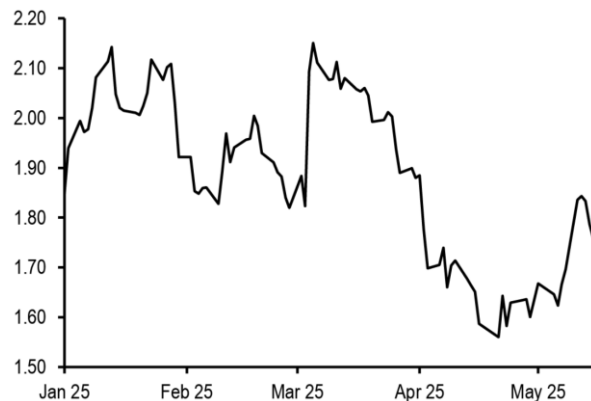
In 2025, we forecast that demand for Euro area govies, especially from foreigners, will absorb the heavy EGB supply despite ECB QT, given continued focus on carry trades under our base case of ECB delivering a more sustained easing than other DM CBs. Summary of Euro area government bond demand since start of QE and JPM expectations for 2025

Investor type	Evolution of Euro area government bond demand		2025 JPM Expectation
	During QE	Post-QE (incl. QT period)	
Eurosystem (NCBs/ECB)	Main buyer via QE (bought all net supply, if not more)	Negative (stop net purchases; APP and partial PEPP QT)	Negative (QT with no APP nor PEPP reinvestments, but possible ECB response in case of shocks) ↓
Domestics	Net selling	Net buying	Net buying →
• Domestic banks	Strong net selling	Mixed across countries	Reduced net buying →
• Pension Funds	Modest net selling	Modest net buying	Modest net buying →
• Insurance Companies	Modest net selling	Strong net selling but neutral in 2024	Stay neutral or marginal net buying →
• Other domestics	Modest net selling	Strong net buying (especially from retail) w/ slower pace in 2024	Reduced net buying →
Non-domestics	Net selling (but net buying in 2019 when QE net purchases stopped)	Net buying	Active net buying but remain price-sensitive ↑
• Japanese investors	Net buying until early 2020 and then modest net selling until QE stop	Modest net selling	Remain on the sidelines →

Source: J.P. Morgan

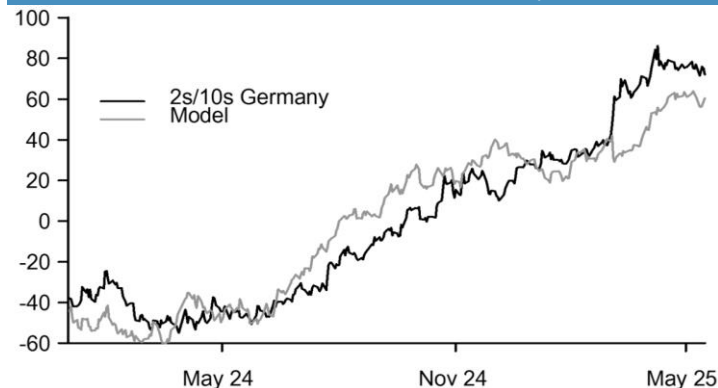
Euro area: maintain a strategic OW duration stance and hold 1Yx1Y €STR receiver and long 10Y Bunds; continue to hold low-beta bullish duration proxies

1Yx1Y €STR yield; Since 1 Jan 2025; bp



Source: J.P. Morgan

Residual from regressing 2s/10s German par curve against 1Yx1Y €STR rate, ECB balance sheet as % of GDP*; Since Jan24, bp



$2s/10s = -0.42 \cdot 1Yx1Y \text{ €STR} - 14.0 \cdot \text{ECB balance sheet} + 6.9$; R-squared: 88%.

Source: J.P. Morgan.

- Despite this week's US-China trade war de-escalation, we still remain cautious on the global and Euro area macro outlook over the medium-term. While our economists' modal view now looks to be shifting to weak global growth rather than recession over 2025, the risks are still skewed to the downside
- **We continue to recommend receiving 1Yx1Y €STR on cheap valuations** given our view that risks to growth and inflation remain to the downside in the Euro area. **We also hold other bullish duration proxies in our portfolio:** 1) 6Mx2Y spread versus OTM payer, 2) Jun25 Schatz call fly 3) reds/blues conditional bull steepener via 3M mid-curve receivers
- **We stay long on 10Y Germany with yields close to 2.60%** (vs. our sub-2.50% forecast by end 2025) given i) ongoing ECB policy easing, ii) further removal of term premia pricing, iii) improving structural demand for EGB on de-dollarisation theme, iv) positive carry and v) risks of delays to German fiscal spending

Euro area: turn neutral on intra-EMU/€-SSA spreads. We wait for better entry levels to scale into OW carry exposures and hold risk-off hedges

Statistics of 10Y benchmark spread to Germany; bp

	Current	Pre-Liberation day YTD Min	YTD Max (April peak)	Retracement from April peak*
Austria	39	33	45	53%
Belgium	52	52	67	101%
Finland	36	33	47	77%
France	66	67	87	106%
Greece	77	76	101	98%
Ireland	30	25	41	71%
Italy	101	109	128	139%
Netherlands	20	19	25	90%
Portugal	48	45	63	80%
Spain	61	61	75	103%

Source: J.P. Morgan

Decomposition of 10Y wtd. peripheral spread based on J.P. Morgan fair value framework; bp unless specified

Factor	Beta	16-May-25
3M MA Core-Periphery PMI (index)	15.8	-3.1
Euro area composite PMI (index)**	-8.0	50.4
3Mx10Y volatility (bp/day)	29.2	4.4
APP+PEPP outstanding (%GDP)	-165.8	26%
PEPP+NGEU safety net dummy***	-43.9	1.5
Intercept	532.3	-
Residual		-12
10Y wtd. periphery spread level*		84

Source: J.P. Morgan. * 10Y weighted peripheral spreads computed against Germany for Ireland, Portugal, Italy and Spain (weighted by the size of their outstanding bond market). ** We floor the Euro area composite PMI at 45 (the lows in the series since 2011 excluding the lows during early COVID-19 period), to clean for the excessively noisy and sharp declines during peak of COVID-19 period of Mar-May 2020. *** PEPP+NGEU safety-net dummy is defined as 1 since March 2020 and 0 previously. PEPP was announced in March 2020 and NGEU was announced soon after around summer 2020.**** TPI safety net dummy is defined as 1 since June 2022 and 0 previously. TPI was announced in June 2022.

- We **neutralize our cautious stance on intra-EMU/€-SSA spreads** as recent US-China trade developments have reduced tariff/macro uncertainty over the near term. **We do not find OW carry exposures attractive yet**, apart from in smaller core sovereigns, and wait for better entry levels to scale into carry trades. **At the same time, we still find value in keeping attractive risk-off hedges in the portfolio**
- **Risk off-hedges: enter 3s/10s Italy steepener vs. Germany and keep short 3Y France vs. Germany**
- **Hold 30s/50s France flattener** on steep valuations and convexity benefits and **keep longs in 10Y Spain vs. 10Y Italy (50%) and 10Y Germany (50%)** risk-weighted fly

Global DM rates 2025 forecast

		30-May	Jun-25	Sep-25	Dec-25	Mar-26	YTD chg. (bp)
US	Fed funds	4.25-4.50	4.25-4.50	4.25-4.50	4.00-4.25	3.50-3.75	-
	SOFR	4.32	4.35	4.35	4.10	3.60	-
	2Y bmk yield	3.93	3.90	3.75	3.50	3.25	-32
	5Y bmk yield	3.99	4.00	3.90	3.70	3.50	-38
	10Y bmk yield	4.42	4.40	4.40	4.35	4.25	-13
	30Y bmk yield	4.92	4.85	4.85	4.85	4.80	-16
	2s/10s bmk curve	48	50	65	85	100	19
	10s/30s bmk curve	51	45	45	50	55	29
	2s/30s bmk curve	99	95	110	135	155	48

Euro area			2.40	2.15	1.90	1.90	1.90	-
Refi rate								
Depo rate		2.25	2.00	1.75	1.75	1.75	1.75	-
3M Euribor		2.00	2.00	1.75	1.75	1.75	1.75	-68
2Y bmk yield		1.79	1.80	1.65	1.70	1.75	1.75	-28
5Y bmk yield		2.09	2.05	1.95	2.00	2.05	2.05	-4
10Y bmk yield		2.53	2.40	2.30	2.40	2.50	2.50	18
30Y bmk yield		3.03	2.80	2.75	2.90	3.00	3.00	46
2s/10s bmk curve		74	60	65	70	75	75	46
10s/30s bmk curve		50	40	45	50	50	50	27
2s/30s bmk curve		124	100	110	120	125	125	74
vs. 6s		17	17	20	21	22	22	5
5Y swap spread		9	11	10	9	8	8	1
10Y swap spread		-3	-6	-7	-8	-9	-9	-1
30Y swap spread		-43	-41	-37	-34	-30	-30	0

10Y spread to Germany (curve adj.)			38	35	35	35	35	-4
Austria								
Belgium		52	55	55	55	55	55	-9
Finland		45	35	35	35	35	35	-1
France		67	75	70	70	70	70	-16
Greece		74	85	85	80	80	80	-12
Ireland		29	30	30	30	30	30	2
Italy		102	120	120	120	120	120	-14
Netherlands		21	20	20	20	20	20	-1
Portugal		48	55	55	55	55	55	0
Spain		66	65	65	65	65	65	-4
Wld. perit. spread		86	96	96	96	96	96	-10
EU		51	50	45	45	45	45	-3

		30-May	Jun-25	Sep-25	Dec-25	Mar-26	YTD chg. (bp)	
UK	Base rate	4.25	4.25	4.00	3.75	3.50	-	
	2Y bmk yield	4.04	4.05	3.90	3.80	3.75	-39	
	5Y bmk yield	4.10	4.10	3.95	3.90	3.85	-27	
	10Y bmk yield	4.67	4.45	4.35	4.30	4.30	12	
	30Y bmk yield	5.40	5.05	4.95	4.90	4.95	25	
	2s/10s bmk curve	63	40	45	50	55	50	
	10s/30s bmk curve	73	60	60	60	65	14	
	2s/30s bmk curve	136	100	105	110	120	64	
	vs. SONIA		-15	-15	-15	-15	-15	0
	2Y swap spread		-24	-27	-31	-33	-33	3
5Y swap spread		-52	-55	-57	-60	-60	2	
10Y swap spread		-85	-90	-92	-95	-95	5	

Japan			0.50	0.50	0.50	0.75	0.75	-
Policy rate								
2Y bmk yield		0.74	0.65	0.75	0.90	0.95	0.95	14
5Y bmk yield		1.01	0.85	0.95	1.10	1.15	1.15	27
10Y bmk yield		1.48	1.30	1.40	1.50	1.55	1.55	39
20Y bmk yield		2.40	2.35	2.45	2.45	2.45	2.45	52
30Y bmk yield		2.95	2.75	2.85	2.85	2.85	2.85	67
2s/10s bmk curve		75	65	65	60	60	60	26
10s/30s bmk curve		147	145	145	135	130	130	28
2s/30s bmk curve		222	210	210	195	190	190	54

Australia			3.85	3.85	3.60	3.35	3.35	-
Cash rate								
3Y bmk yield		3.43	3.55	3.50	3.40	3.40	3.40	-47
10Y bmk yield		4.33	4.25	4.15	4.05	4.00	4.00	-12

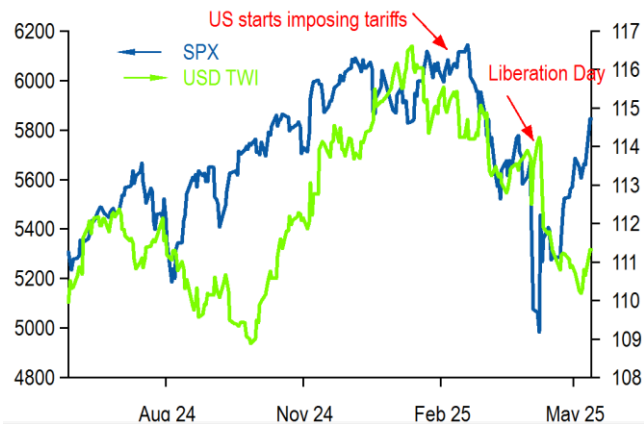
New Zealand			3.25	3.25	3.25	3.25	3.00	-
Cash rate								
2Y bmk yield		3.48	3.50	3.50	3.60	3.60	3.60	-12
10Y bmk yield		4.63	4.50	4.35	4.40	4.30	4.30	9

Sweden			2.25	2.00	1.75	1.75	1.75	-
Repo rate								
2-year govt		1.87	2.10	2.10	2.20	2.30	2.30	-17
10-year govt		2.25	2.40	2.40	2.55	2.75	2.75	-13

Norway			4.50	4.50	4.25	4.00	3.75	-
Depo rate								
2-year govt		3.70	3.70	3.50	3.40	3.30	3.30	-19
10-year govt		3.74	3.80	3.65	3.60	3.55	3.55	-9

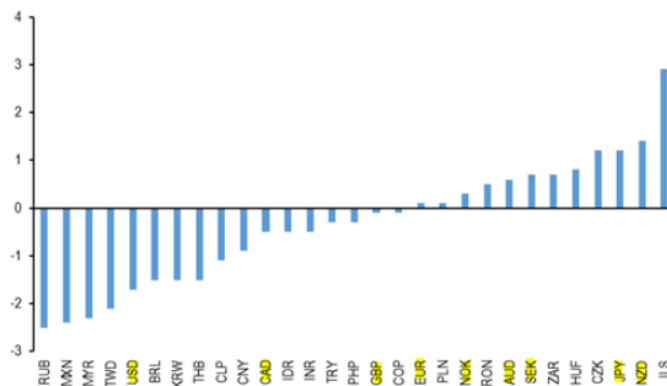
Sticking with our strategic weaker-dollar call in the wake of the US-China tariff de-escalation

SPX (LHS) and USD TWI (RHS)



Source: J.P. Morgan

Real GDP growth oya change: 2025 projections minus 2024

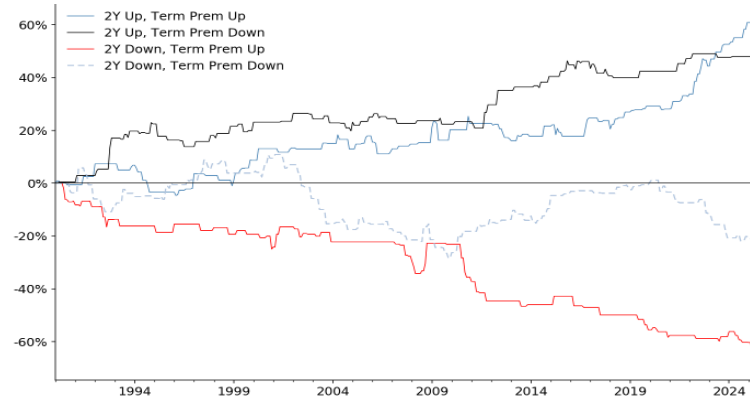


Source: J.P. Morgan

- **The dollar has lagged the move in US equities; we think this is justified.** We believe:
 - **US moderation is still intact, just lower intensity.** Some trade-war détente improves US prospects - but as detailed by our economists - still presents a material step-down from activity a year ago.
 - **Lower tariff risk premium improves not only the US growth outlook, but the global outlook as well.** See our Euro-area revisions, for example. That still tilts towards a mid-smile environment that can favor cyclical FX.
 - **Policy uncertainty will endure, against a backdrop of still-large foreign holdings of US assets.** Any reallocation and/or changes in hedging behavior is likely still in the early innings.

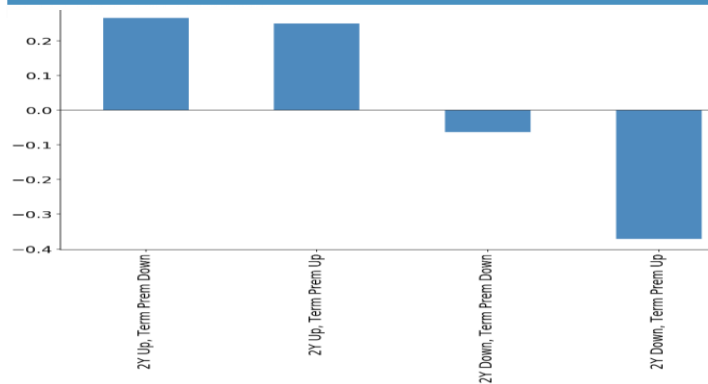
US deficits & thrust possibly higher than expected, mixed implications for USD

Cumulative DXY m/m returns across rates scenarios (2Y & 10Y ACM Term Premium)



Source: J.P. Morgan, Bloomberg Finance L.P.

Information Ratio (avg return / stddev) DXY returns across rates scenarios (2Y & 10Y ACM Term Premium)

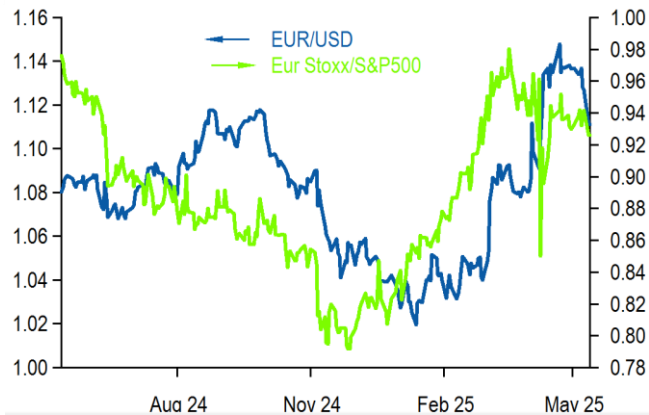


Source: J.P. Morgan, Bloomberg Finance L.P.

- **New news suggests that the risks to the US fiscal deficit - as drafted in the legislation - skew towards widening, implying some unexpected fiscal thrust.** While a growth support may emerge, it may be against the backdrop of higher term premium.
- **If the US is still moderating despite government fiscal support and the short-end is falling but term premium is rising - the dollar is likely to fall**
- Indeed, such conditions have been clearly on display in 2025, and that combination (2Y ↓, term premium ↑) has the highest sharp ratio of the various rates permutations.

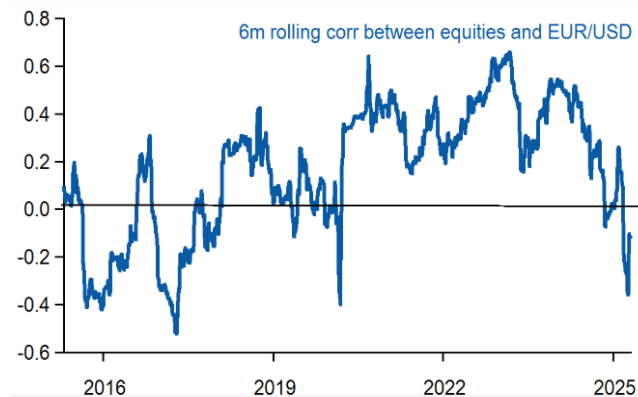
EUR: Bullish with sights on 1.20 by year-end

EuroStoxx/ SPX vs. EUR/USD



Source: J.P. Morgan

6m rolling correlation between S&P 500 and EUR/USD based on 1-week % changes



Source: J.P. Morgan

- **Our forecasts envisage EUR/USD gradually approaching 1.20-1.22 by the turn of the year.**
- **The primary medium-term reasons to be bullish EUR/USD are:** (a) US moderation vs. Eurozone has more room to run. (b) US equities re-balancing should continue to weigh on the dollar vs. the largest holders incl. (c) European fiscal policy will be an insulator. (d) higher odds of a structural USD weakening in coming years.
- Our concern on the euro in recent weeks has been **the relative underperformance of equities vs. the US, which could signal that US exceptionalism is still intact on some measures**; if this extends further, we would be more concerned for the euro bullish view.

EUR: ... but there are near-term risks amid valuation overshoots

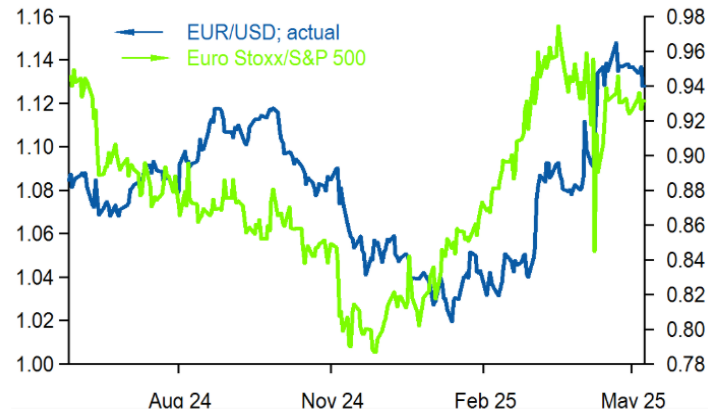
EUR/USD is overshooting fair value of 1.11 modestly; focus on the relative real yields as a driver

EUR/USD vs select rolling estimates of fair value



Source: J.P. Morgan

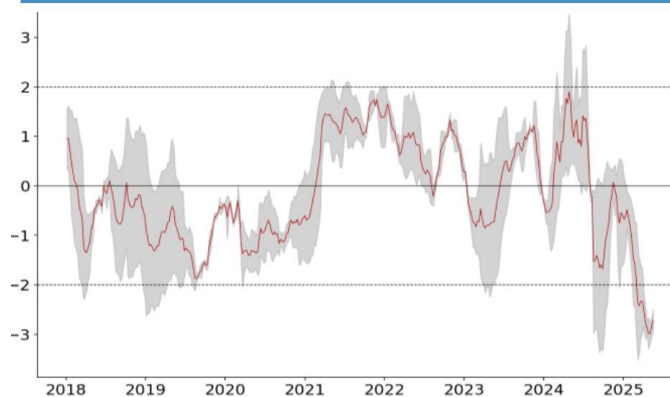
If US moderation and a weaker dollar is to remain a theme, European data needs to improve as does the relative equity performance vs. the US.



Source: J.P. Morgan

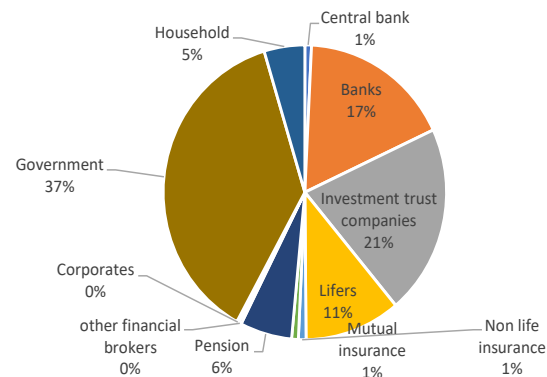
JPY: Remain bearish USD/JPY amid US moderation, but limited by real policy rates

USD/JPY positioning range (futures & options) (5Y rolling z-score)



Source: J.P. Morgan, DTCC, CFTC, Bloomberg Finance L.P.

Sector breakdown of Japanese foreign securities holdings (as of end-2024)



Source: BoJ, J.P. Morgan.

- Given broad USD weakness due to unique factors related to tariff, **it is likely that USD/JPY will undershoot its fair value based on the U.S. and Japan monetary policies and will test a cycle low at 139.**
- We continue to think Japan's deeply negative real policy rates will limit the downside of the USD/JPY in the medium to long term. **Unlike past recessions, Japan's real policy rates are likely to remain significantly negative. In addition, Fed funds rate is unlikely to get near to 0% as it did in past recessions (2007-09, 2020).**
- **We do not expect significant imminent dedollarization:** FX reserves need USD assets due to policy objective, GPIF allocation is unchanged, lifers' plans for FY25 do not suggest acceleration in unwinding FX-unhedged bonds positions, and we see retail investors are structural buyers of foreign assets but with low allocation
- **USD/JPY forecasts: 2Q 142, 1Q'26 139**

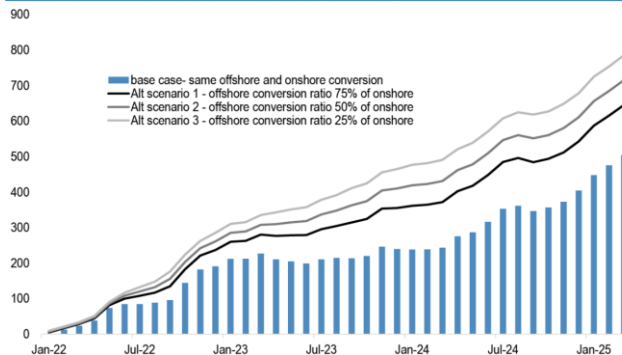
CNY: Neutralising CNH shorts; lower USD/CNY target

Chinese investors have sold their US assets in the past few years;
24m sum, \$bn



Source: J.P. Morgan

...But excess dollar savings from Chinese corporates could have amounted to \$500-800bn since 2022, a potential source of support for CNH should corporates convert



Source: J.P. Morgan

- **Financial asset repatriation is unlikely to do CNY FX much favour** as, unlike global investors who have piled into US bonds and stocks over the past few years, Chinese investors have in fact been net sellers for years, having already unloaded ~\$270bn in 2023-24.
-but **potential conversion of excess dollar savings from Chinese corporates could be a source of support**. Accounting for the sheer size of their dollar hoarding, even a partial unwind could present a short-term bullish risk for CNY FX.
- Against this backdrop, we took profit on our CNH shorts (vs EUR and JPY) while we moved to MW CNY FX in GBI-EM Model Portfolio
- FX forecasts: 2Q: 7.20 (7.45), 4Q: 7.30 (7.60)

FX forecast: bearish USD, long AUD/JPY as a hedge against recession call

Exchange rates vs. U.S dollar

Majors	Current				
	30-May	Jun 25	Sep 25	Dec 25	Mar 26
EUR	1.13	1.15	1.17	1.20	1.22
JPY	144	142	141	140	139
GBP	1.35	1.32	1.33	1.35	1.37
AUD	0.64	0.65	0.67	0.68	0.68
CAD	1.38	1.41	1.39	1.38	1.38
NZD	0.60	0.58	0.59	0.60	0.60
JPM USD index	109.8	109.9	109.3	108.7	108.3
DXY	99.6	98.7	97.2	95.3	94.0
Europe, Middle East & Africa					
CHF	0.82	0.80	0.78	0.76	0.75
ILS	3.52	3.50	3.45	3.40	3.35
SEK	9.59	9.30	9.06	8.75	8.52
NOK	10.18	10.17	9.91	9.50	9.18
CZK	22.01	21.52	21.15	20.63	20.29
PLN	3.75	3.70	3.68	3.58	3.52
HUF	357	352	342	333	328
TRY	39.24	40.00	42.50	45.50	48.00
ZAR	17.88	18.75	18.75	18.75	18.75
Americas					
ARS	1183	1160	1200	1300	1350
BRL	5.67	5.75	5.75	5.90	5.90
CLP	935	960	960	950	950
COP	4119	4350	4400	4400	4300
MXN	19.31	19.70	19.70	19.60	19.60
PEN	3.62	3.70	3.70	3.75	3.80

Majors		Current				
		30-May	Jun 25	Sep 25	Dec 25	Mar 26
Asia	CNY	7.20	7.20	7.25	7.30	7.35
	HKD	7.84	7.76	7.75	7.75	7.75
	IDR	16290	16500	16400	16300	16200
	INR	85.62	84.30	83.20	82.70	82.50
	KRW	1380	1380	1375	1360	1350
	MYR	4.25	4.25	4.15	4.10	4.00
	PHP	55.77	55.20	54.90	54.50	54.30
	SGD	1.29	1.29	1.28	1.27	1.26
	TWD	29.92	30.00	30.30	30.30	30.20
	THB	32.77	32.50	31.90	31.30	30.80
EMCI		45.6	43.7	43.6	43.5	43.4
Exchange rates vs Euro						
	JPY	163	163	165	168	170
	GBP	0.84	0.87	0.88	0.89	0.89
	CHF	0.93	0.92	0.91	0.91	0.92
	SEK	10.87	10.70	10.60	10.50	10.40
	NOK	11.54	11.70	11.60	11.40	11.20
	CZK	24.93	24.75	24.75	24.75	24.75
	PLN	4.25	4.25	4.30	4.30	4.30
	HUF	404	405	400	400	400
	RON	5.07	5.25	5.25	5.25	5.25
	TRY	44.51	46.00	49.73	54.60	58.56
	BRL	6.42	6.61	6.73	7.08	7.20
	MXN	21.88	22.66	23.05	23.52	23.91

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Bloomberg Fixed Income Indices

Kate Onodi

EMEA Team Leader for Fixed Income Product Management

Bloomberg

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Bloomberg Indices

*Innovative solutions
for changing markets*



Indexing Trends

Principles of Index Design and Indexing Characteristics

Characteristics of Indices:

- Representative – of market or asset class and risk exposures
- Replicable – sufficiently sized
- Objective and Transparent – clear rules and composition visibility
- Relevant – for diverse use cases

Use Cases:

- Portfolio performance target
- Informational measure for asset class risk and return
- Reference for index-linked products

Common Index Funds Characteristics:

- Target market or segment exposure
- Low tracking error
- Transparency and Predictability
- Low Turnover and Cost efficiency

Trends in EMEA Fixed Income ETFs

Over last 12 months:

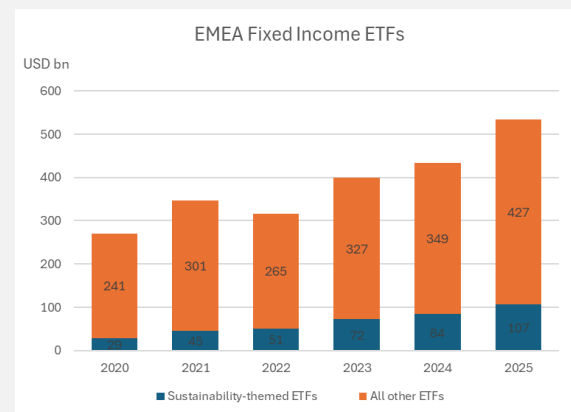
- Total AUM increased from USD 431 to 534 bn (**23%**); 247 new ETFs
- AUM linked to Sustainability themes increased from USD 86 to 107 bn (24%); 63 new ETFs
- Expense ratios decreased on average nearly 1.5bps

Since 2020:

- Total AUM increased from USD 270 to 530 bn (13%/pa); 778 new ETFs
- AUM linked to Sustainability themes increased from USD 29 to 107 bn (**30%/pa**); 202 new ETFs

Trends:

- Growth in Sustainability ETFs – from 10% to 20% of all FI ETFs in EMEA
- Growth in range of Sustainability themes in industry – Fossil Fuel exclusions, Green Bonds, PABs/CTBs, etc
- Changes in regulation
- Broadening and deepening of ETF products
- Growth in sophistication of products: screening, neutrality, tilting, optimization, etc
- Bifurcation of new products – broad vs narrow



Source: Bloomberg

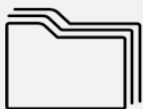
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Bloomberg Indices as a Leader in Fixed Income

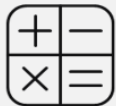
Fixed Income Indices at Bloomberg

The Bloomberg Fixed Income Indices are fueled almost entirely by inputs from Bloomberg LP. Our ability to source proprietary index data, pricing, analytics, research and news provides additional value and offers clients a comprehensive solution for their investment needs.



Reference Data

Leading solution for fixed income with access to 35m+ instruments across all asset classes.



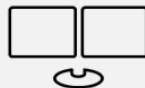
Pricing (BVAL)

Transparent pricing for 2.5m+ securities with 9 daily snapshots used by 1.3k clients globally and continues to gain usage.



Modeling & Analytics

Robust analytic models are inputs into index production that provide clients with clear picture of risk profile.



Distribution

Integration on 325k Terminals globally such as IN<GO>, PORT<GO>, FIW<GO>, etc. Partner with dozens of 3rd parties.



Thought Leadership

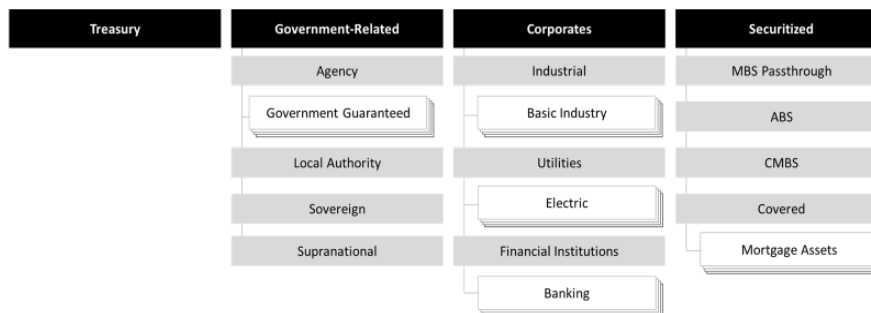
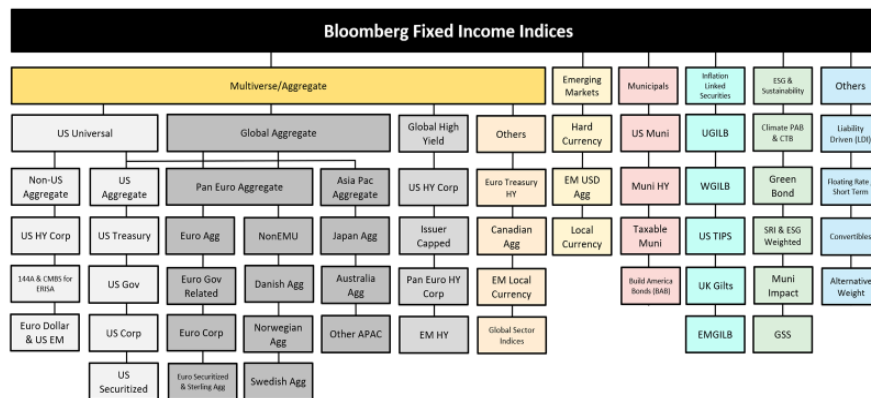
Dedicated cross-asset index research & development team publishes papers and formulate new indexing structures.

Broad Coverage Across Global Fixed Income Markets

The global families of fixed income indices include more than 100,000 securities with a total market value exceeding \$68 trillion dollars. Bloomberg currently published more than 40,000 standard and bespoke indices daily representing more than 120 countries and 38 local currency debt markets.

We apply a proprietary 4-tiered sector classification scheme to all securities in the index universe and it is widely used by investors benchmarked to the flagship Bloomberg aggregate bond indices or a sector-based sub-component of these indices.

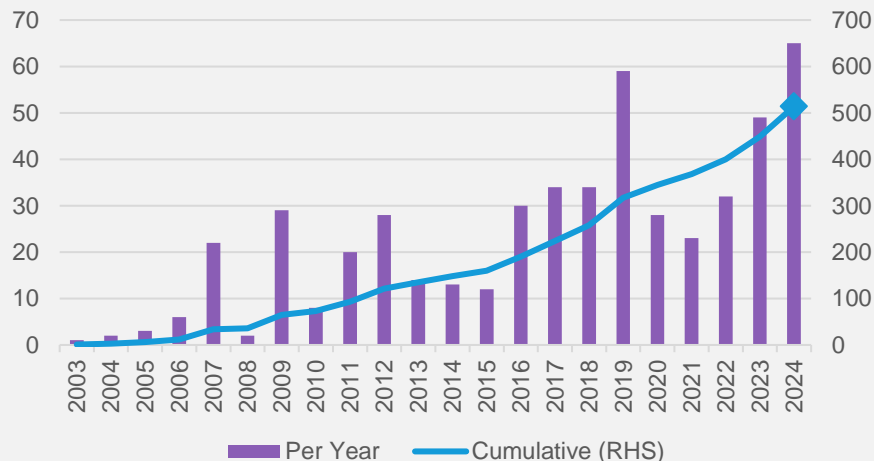
See graphic (right) for Class 1-3 overview.



An Index of Choice for ETFs

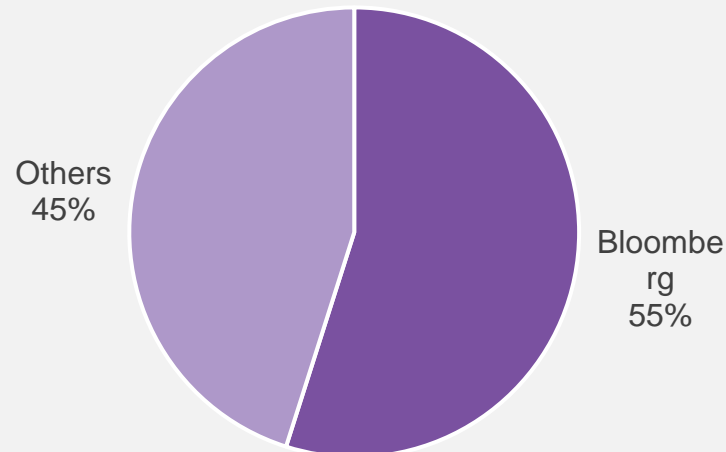
The first bond ETF was benchmarked to a current Bloomberg (then Lehman) index. Today over 500 fixed income ETFs globally with \$1.35 trillion in assets (or 55% of total passive AUM) track a Bloomberg fixed income index. In fact, 4 out of the top 5 and 7 of the top 10 fixed income ETFs by AUM are passively managed against a Bloomberg index.

Listed Fixed Income ETFs Tracking Bloomberg Index



Source: Bloomberg

Fixed Income Passive ETF Assets



Source: Bloomberg

Information reputed exact as at 04/06/2025.

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Active and Passive Investing in Fixed Income

Passive and Active in Fixed Income

- Index tracker funds rely on cost efficiency, transparency, predictability, low turnover, and broad market exposure as the primary features of their investment approach
- In contrast, active funds argue that they can generate superior returns through better security selection, duration management, spread exposure, tactical adjustments to various sectors, and niche opportunities outside of benchmarks
- The degrees of freedom available to the active funds differ by category

Degrees of Freedom for Active Funds by Category

	Aggregate	High Yield	Government	Corporate
Security Selection	✓	✓	-	✓
Duration Timing	✓	-	✓	-
Spread Timing	✓	✓	✗	✓
Sector Timing	✓	✓	✗	✓
Opportunities outside of Benchmark	✓	✗	✗	✗

Fund Analysis by Category

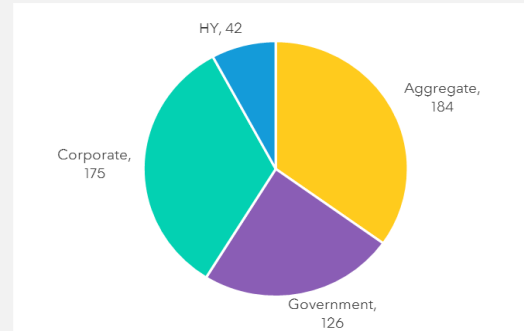
- We aim to examine EUR-based funds and analyze the growth and performance of actively managed funds versus index tracker funds
- Funds are categorized based on the fund prospectus and performance comparisons are done against the stated benchmark for the fund
- The average fund size of index tracker funds is significantly higher compared to active funds

Fund Characteristics

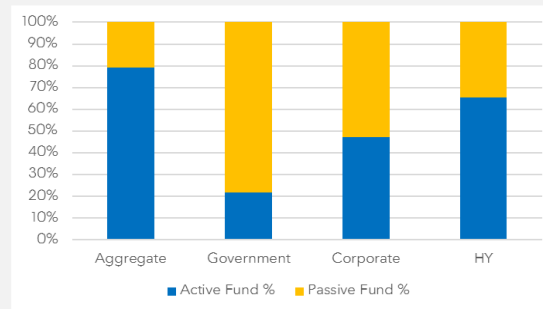
Category	Total Funds	Live Funds	Active Managed Funds	Passive Funds	Active Fund AUM (\$ billion)	Passive Fund AUM (\$ billion)	Passive AUM %
Aggregate	205	197	177	28	145	38	21%
Government	139	125	45	94	28	98	78%
Corporate	148	143	91	57	83	92	53%
HY	52	50	40	12	27	14	35%
Total	544	515	353	191	283	243	46%

Source: Bloomberg. AUM data as of 31st December 2024

Total Fund AUM by Categories



Fund AUM % by Management Style



March 24, 2025

EUR Corporate Bond Active Funds Return Distribution

- An example active corporate fund
- Extra spread exposure
- Coming from reducing exposure to A rated bonds and loading up on BB and sovereign debt which have higher yield than A rated bonds

Topline Summary			
Field	Port	Bmrk	Diff
Market Value (%)	100.00	100.00	0.00
Yield to Mat	3.80	3.16	0.64
Yield to Worst	3.79	3.15	0.63
OAD	4.97	4.38	0.58
OAD	4.97	4.38	0.58
OAS	141.61	101.50	40.11
OAC	0.41	0.29	0.12
S-OAS	134.07	88.84	45.23
S-OAD	4.89	4.32	0.56
Index Rtg	A3/BAA1	A3/BAA1	A3/BAA1

Class	Market Value (%)			Yield to Mat		
	Port ↓	Bmrk	Diff	Port	Bmrk	Diff
▼ Total	100.00	100.00	0.00	3.80	3.16	0.64
▼ Corporate Bonds	91.96	99.96	-8.00	3.82	3.16	0.66
▶ BBB	49.69	50.92	-1.22	3.81	3.29	0.52
▶ A	24.95	40.74	-15.80	3.39	3.06	0.34
▶ BB	8.50		8.50	5.30		5.30
▶ AA	4.66	7.90	-3.24	3.15	2.83	0.32
▶ NR	2.65		2.65	4.11		4.11
▶ AAA	0.99	0.40	0.59	2.86	2.84	0.02
▶ B	0.52		0.52	7.04		7.04
▶ CCC	0.01		0.01	67.41		67.41
▶ Sovereign Debt	6.12		6.12	3.67		3.67
▶ Cash	1.59		1.59	2.91		2.91
▶ Open-End Funds	0.23		0.23			

*The credit excess returns are measured by the return of Bloomberg EUR IG index over that of the equivalent treasury securities
Source: Bloomberg.

March 24, 2025

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ETF Implementation Ideas

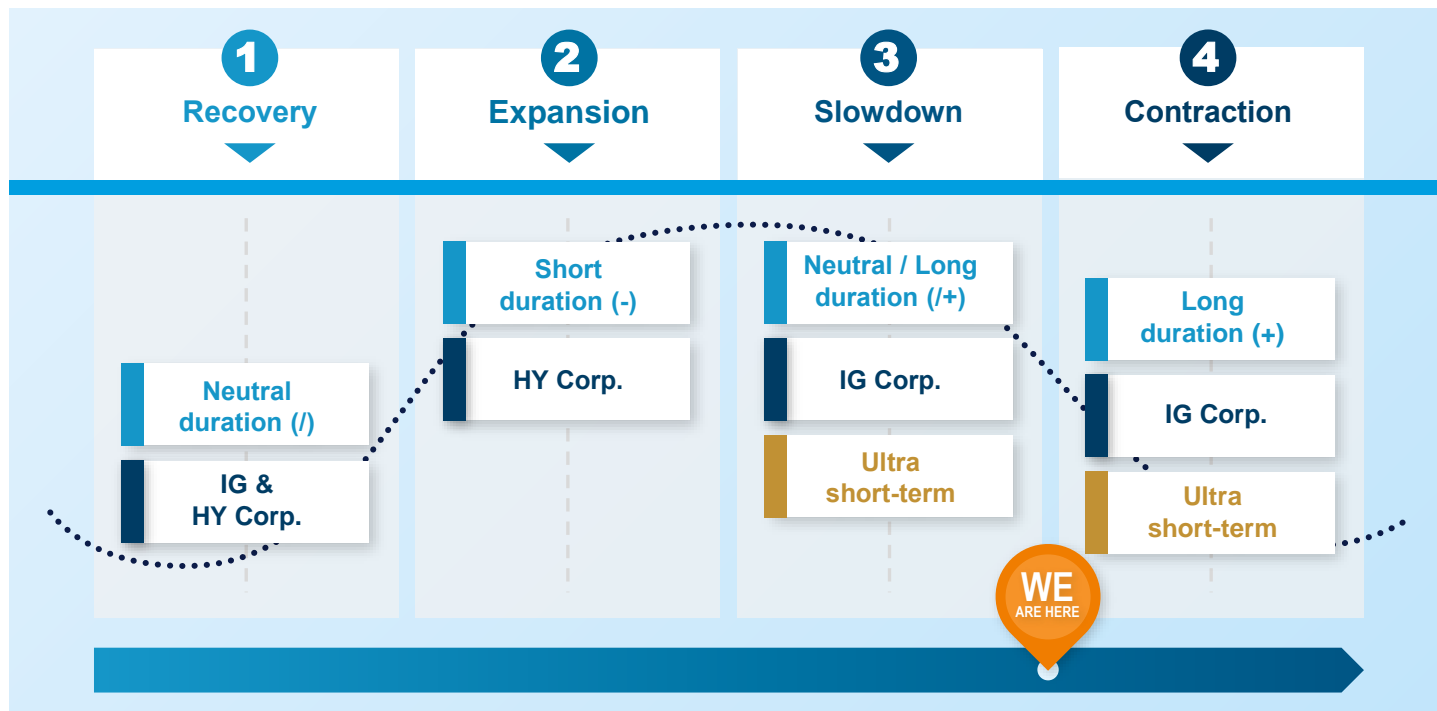
Olivier Genin

Deputy-Head of Market and Product Strategies & Head of Fixed Income Strategies

Amundi ETF & Indexing

Positioning your fixed income portfolio in the economic cycle

Bonds: a key part of your allocation across all market conditions

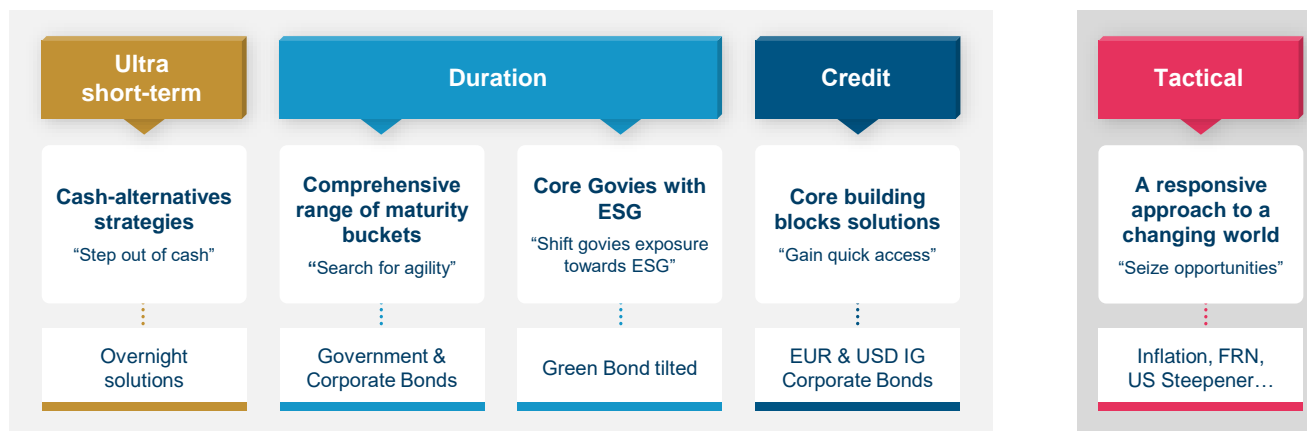


Source: Amundi – March 2025. Past performance is not a reliable indicator of the future ones. For illustrative purposes only.

No matter the environment, we have a fixed income ETF for you



Building **long-term partnerships** with investors is a key motivation for us.
That's why we continuously create **powerful investment solutions** to help
you **manage your fixed income allocation** across market cycles.



Source: Amundi – March 2025. For illustrative purposes only. Information on Amundi's responsible investing can be found on amundiief.com and amundi.com. The investment decision must take into account all the characteristics and objectives of the fund, as described in the relevant Prospectus.

Invest in the bonds market, your way

Whatever your risk objectives, we have an ETF for you

Government bonds

ETF Name	ISIN	Ticker	AUM (mn GBP)	Ongoing ¹ charges
Amundi UK Government Bond UCITS ETF	LU1407892592	GILS LN	1,265	0.05%
Amundi UK Government Bond 0-5Y UCITS ETF	LU1439943090	GIL5 LN	414	0.05%
Amundi UK Government Inflation-Linked Bond UCITS ETF	LU1407893301	GILI LN	59	0.07%
Amundi Euro Government Bond 25+Y UCITS ETF	LU1686832194	MTH FP	273	0.07%
Amundi Euro Government Bond 25+Y UCITS ETF GBP Hedged	LU2891728078	MTHG LN	273	0.09%
Amundi Euro Government Bond 7-10Y UCITS ETF	LU1287023185	LYXD GY	1,322	0.15%
Amundi US Treasury Bond 1-3Y UCITS ETF GBP Hedged	LU1407887675	U13E LN	486	0.05%
Amundi US Treasury Bond 3-7Y UCITS ETF GBP Hedged	LU1407889457	U37H LN	202	0.06%
Amundi US Curve steepening 2-10Y UCITS ETF GBP Hedged	LU2018762901	STPH LN	415	0.35%

Source: Amundi, June 2025. Investment involves risks. For more information, please refer to the Risk section below. For more information regarding the investment objectives of the fund, please refer to the Key Investor Information Documents (KIID) and the prospectus. 1. Ongoing charges: annual, all taxes included. The ongoing charges represent the charges taken from the fund over a year. Until the fund has closed its accounts for the first time, the ongoing charges are estimated. Transaction costs and commissions may occur when trading ETF. Transaction costs and commissions may occur when trading ETF.

Invest in the bonds market, your way

Whatever your risk objectives, we have an ETF for you

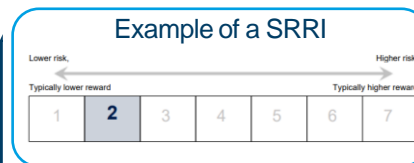
Corporate bonds

ETF Name	ISIN	Ticker	AUM (mn GBP)	Ongoing ¹ charges
Amundi EUR Corporate Bond UCITS ETF	LU1931975079	PRIC LN	1,552	0.07%
Amundi EUR Corporate Bond UCITS ETF GBP Hedged	LU2977997209	CBDG LN	1,552	0.09%
Amundi USD Corporate Bond UCITS ETF	LU2037749152	PRIP LN	97	0.07%
Amundi USD Corporate Bond UCITS ETF GBP Hedged	LU2621112452	PRUB LN	97	0.09%

Source: Amundi, June 2025. Investment involves risks. For more information, please refer to the Risk section below. For more information regarding the investment objectives of the fund, please refer to the Key Investor Information Documents (KIID) and the prospectus. 1. Ongoing charges: annual, all taxes included. The ongoing charges represent the charges taken from the fund over a year. Until the fund has closed its accounts for the first time, the ongoing charges are estimated. Transaction costs and commissions may occur when trading ETF. Transaction costs and commissions may occur when trading ETF.

Thank you!

Risk indicator



ETF Name	ISIN	Risk and Reward Profile
Amundi UK Government Bond 0-5Y UCITS ETF Dist	LU1439943090	3
Amundi Euro Government Bond 25+Y UCITS ETF Acc	LU1686832194	6
Amundi Euro Government Bond 25+Y UCITS ETF Dist	LU1686832277	6
Amundi Euro Government Bond 25+Y UCITS ETF GBP Hedged I	LU2891728078	6
Amundi Euro Government Bond 25+Y UCITS ETF USD Hedged I	LU2891727930	6
Amundi Euro Government Bond 7-10Y UCITS ETF Acc	LU1287023185	4
Amundi Euro Government Bond 7-10Y UCITS ETF Dist	LU2090062949	4
Amundi US Treasury Bond 3-7Y UCITS ETF Dist	LU1407888996	3
Amundi US Treasury Bond 3-7Y UCITS ETF GBP Hedged Dist	LU1407889457	3
Amundi US Treasury Bond 3-7Y UCITS ETF Acc	LU1407888723	3
Amundi EUR Corporate Bond UCITS ETF Dist	LU1931975079	3
Amundi EUR Corporate Bond UCITS ETF Acc	LU2089238625	3
Amundi EUR Corporate Bond UCITS ETF CHF Hedged Acc	LU2798197641	3
Amundi EUR Corporate Bond UCITS ETF USD Hedged Acc	LU2977997118	3
Amundi EUR Corporate Bond UCITS ETF GBP Hedged Dist	LU2977997209	3
Amundi USD Corporate Bond UCITS ETF Dist	LU2037749152	4
Amundi USD Corporate Bond UCITS ETF Acc	LU2089239276	4
Amundi USD Corporate Bond UCITS ETF GBP Hedged Dist	LU2621112452	4
Amundi USD Corporate Bond UCITS ETF EUR Hedged Acc	LU2977997381	4

Source: Amundi, June 2025. This fund includes a risk of capital loss. Investors therefore may not recover all or part of their initial investment. The redemption value of this fund may be less than the amount initially invested. In a worst case scenario, investors could sustain the loss of their entire investment. Be sure to read carefully the "Appendix B - Special risk considerations and risk factors" section of the prospectus and the "What are the risks and what could I get in return?" section of the Key Information Document (KID), or the "Risk and Reward Profile" section of the Key Investor Information Document (KIID) for UK investors, to better understand the risks involved.

Amundi ETF Main Risks

Risk of the loss of invested capital.
Investors may not get back the original amount invested and may lose all of their investment.

Risk associated with the markets to which the ETF is exposed.
The price and value of investments are linked to the liquidity risk of the components.
Investments can go up as well as down.

Risk associated with the volatility of the securities/currencies composing the underlying index.

The fund investment objective may only be partially reached.

The policy regarding portfolio transparency and information on the funds' assets are available on amundiETF.com. The funds' units purchased on the secondary market cannot usually be sold directly back to the funds. Investors must buy and sell units on a secondary market with the assistance of an intermediary (e.g. a stockbroker) and may incur fees for doing so. In addition, investors may pay more than the current net asset value when buying units and may receive less than the current net asset value when selling them. **For further details regarding risks of Amundi ETF products, please refer to Key Investor Information Document (KIID) and prospectus for the relevant fund, which are available in many languages upon request to Amundi or online on www.amundiETF.com.**

– **DISCLAIMER**

KNOWING YOUR RISK

It is important for potential investors to evaluate the risks described below and in the fund's Key Information Document ("KID") and prospectus available on our websites www.amundiETF.com.

CAPITAL AT RISK - ETFs are tracking instruments. Their risk profile is similar to a direct investment in the underlying index. Investors' capital is fully at risk and investors may not get back the amount originally invested.

UNDERLYING RISK - The underlying index of an ETF may be complex and volatile. For example, ETFs exposed to Emerging Markets carry a greater risk of potential loss than investment in Developed Markets as they are exposed to a wide range of unpredictable Emerging Market risks.

REPLICATION RISK - The fund's objectives might not be reached due to unexpected events on the underlying markets which will impact the index calculation and the efficient fund replication.

COUNTERPARTY RISK - Investors are exposed to risks resulting from the use of an OTC swap (over-the-counter) or securities lending with the respective counterparty(-ies). Counterparty(-ies) are credit institution(s) whose name(s) can be found on the fund's website amundiETF.com. In line with the UCITS guidelines, the exposure to the counterparty cannot exceed 10% of the total assets of the fund.

CURRENCY RISK - An ETF may be exposed to currency risk if the ETF is denominated in a currency different to that of the underlying index securities it is tracking. This means that exchange rate fluctuations could have a negative or positive effect on returns.

LIQUIDITY RISK - There is a risk associated with the markets to which the ETF is exposed. The price and the value of investments are linked to the liquidity risk of the underlying index components. Investments can go up or down. In addition, on the secondary market liquidity is provided by registered market makers on the respective stock exchange where the ETF is listed. On exchange, liquidity may be limited as a result of a suspension in the underlying market represented by the underlying index tracked by the ETF; a failure in the systems of one of the relevant stock exchanges, or other market-maker systems; or an abnormal trading situation or event.

VOLATILITY RISK - The ETF is exposed to changes in the volatility patterns of the underlying index relevant markets. The ETF value can change rapidly and unpredictably, and potentially move in a large magnitude, up or down.

CONCENTRATION RISK - Thematic ETFs select stocks or bonds for their portfolio from the original benchmark index. Where selection rules are extensive, it can lead to a more concentrated portfolio where risk is spread over fewer stocks than the original benchmark.

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- Amundi Index Solutions, Luxembourg SICAV, RCS B206810, located 5, allée Scheffer, L-2520, managed by Amundi Luxembourg S.A.

- Amundi ETF ICAV: open-ended umbrella Irish collective asset-management vehicle established under the laws of Ireland and authorized for public distribution by the Central Bank of Ireland. The management company of the Fund is Amundi Ireland Limited, 1 George's Quay Plaza, George's Quay, Dublin 2, D02 V002, Ireland. Amundi Ireland Limited is authorised and regulated by the Central Bank of Ireland

- Multi Units France, French SICAV, RCS 441 298 163, located 91-93, boulevard Pasteur, 75015 Paris, France and Lyxor Index Fund, Luxembourg SICAV, RCS B117500, located 9, rue de Bitbourg, L-1273 Luxembourg, and both managed by Amundi Asset Management located 91-93, boulevard Pasteur, 75015 Paris

- Multi Units Luxembourg, RCS B115129, Luxembourg SICAV located 9, rue de Bitbourg, L-1273 Luxembourg, managed by Amundi Luxembourg S.A. located 5, allée Scheffer, L-2520 Luxembourg

Before any subscriptions, the potential investor must read the offering documents (KIID and prospectus) of the Funds. The prospectus in French for French UCITS ETFs, and in English for Luxembourg UCITS ETFs and Irish UCITS ETFs, and the KIID in the local languages of the Marketing Countries are available free of charge on www.amundi.com, www.amundi.ie or www.amundiETF.com. They are also available from the headquarters of Amundi Luxembourg S.A. (as the management company of Amundi Index Solutions and Multi Units Luxembourg), or the headquarters of Amundi Asset Management (as the management company of Amundi ETF French FCPs, Multi Units France and Lyxor Index Fund), or at the headquarters of Amundi Ireland Limited (as the management company of Amundi ETF ICAV). For more information related to the stocks exchanges where the ETF is listed please refer to the fund's webpage on amundiETF.com.

Investment in a fund carries a substantial degree of risk (i.e. risks are detailed in the KIID and prospectus). Past Performance does not predict future returns. Investment return and the principal value of an investment in funds or other investment product may go up or down and may result in the loss of the amount originally invested. All investors should seek professional advice prior to any investment decision, in order to determine the risks associated with the investment and its suitability.

It is the investor's responsibility to make sure his/her investment is in compliance with the applicable laws she/he depends on, and to check if this investment is matching his/her investment objective with his/her patrimonial situation (including tax aspects).

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Amundi Asset Management

French "Société par Actions Simplifiée" - SAS with a share capital of €1 143 615 555

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Head office: 91-93, boulevard Pasteur, 75015 Paris - France

Postal address: 91, boulevard Pasteur, CS 21564, 75730 Paris Cedex 15 - France

Tel : +33 (0)1 76 33 30 30

Siren no. 437 574 452 RCS Paris