

# **Market Outlook**

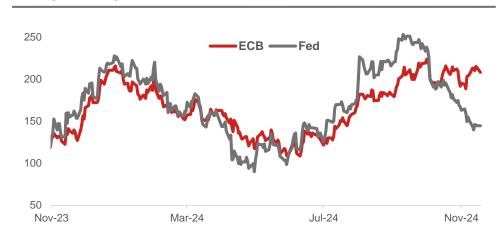
ECB Bond Market Contact Group

Marco Brancolini

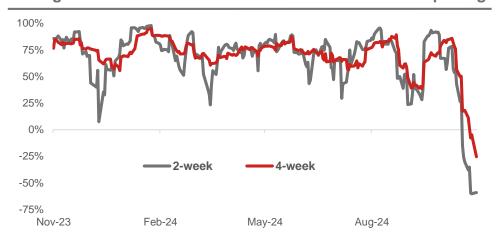


# **Decoupling At Last**

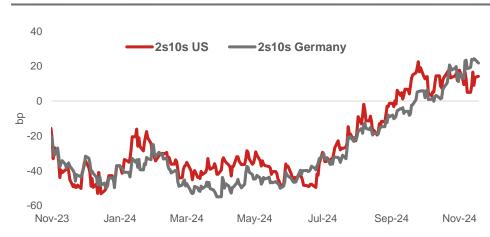
### **Cuts priced by December 2025**



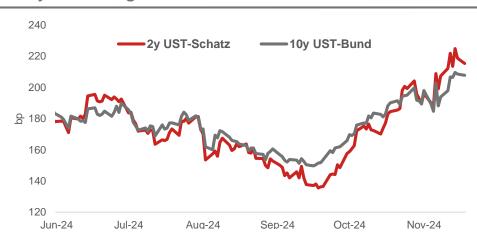
Rolling 2- and 4-week correlation of Dec-25 ECB vs Fed pricing



### Curve shapes are moving in tandem...



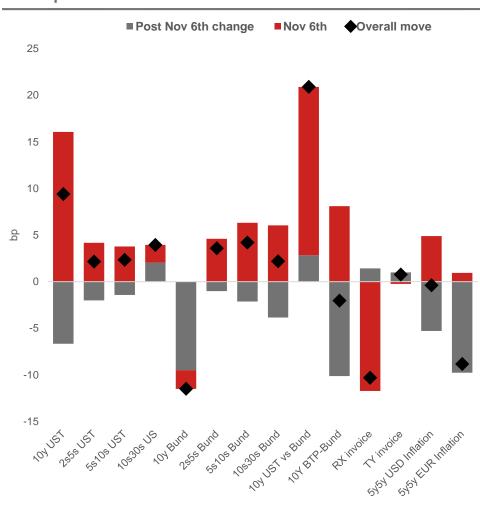
#### ... as yields diverge across maturities



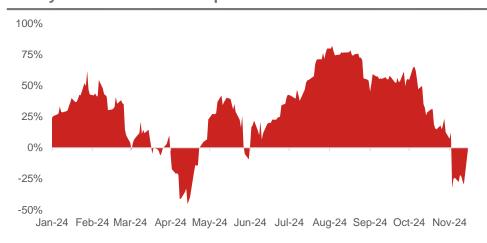


## **Much Ado About Nothing?**

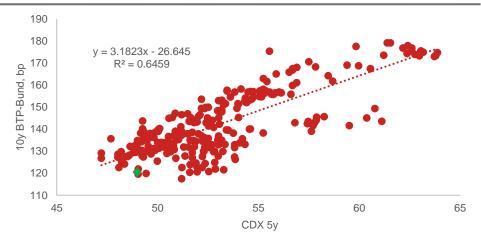
### The impact of US elections on rates markets



#### 20-day correlation of BTP spreads with S&P 500



### 10y BTP spreads vs credit spreads

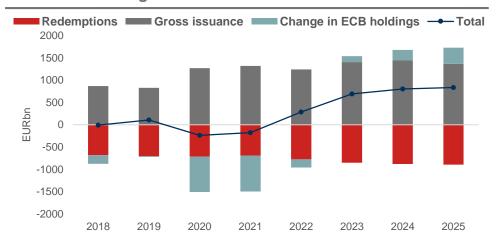


Source: Bloomberg, Nomura

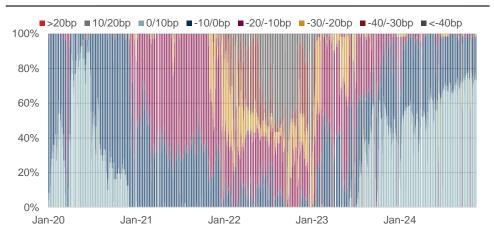


# From Collateral Scarcity to Abundance

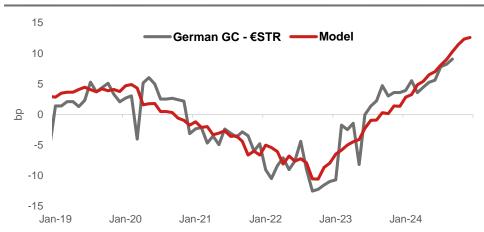
#### Eurozone sovereign issuance



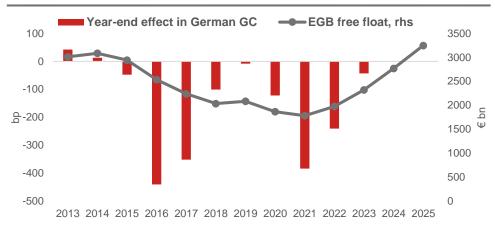
#### Share of German bonds trading below €STR



### The progressive cheapening of German GC



### The beginning of a new era?





### **Discussion Points**

- How far can ECB rates decouple from the Fed? Why are inflation markets so relaxed about Trump?
- Will sovereign spreads be driven by risk assets or by rates in 2025?
- Are Q1 supply and/or debt sustainability a concern for market participants?
- How will market price renewed (geo)political risk?



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