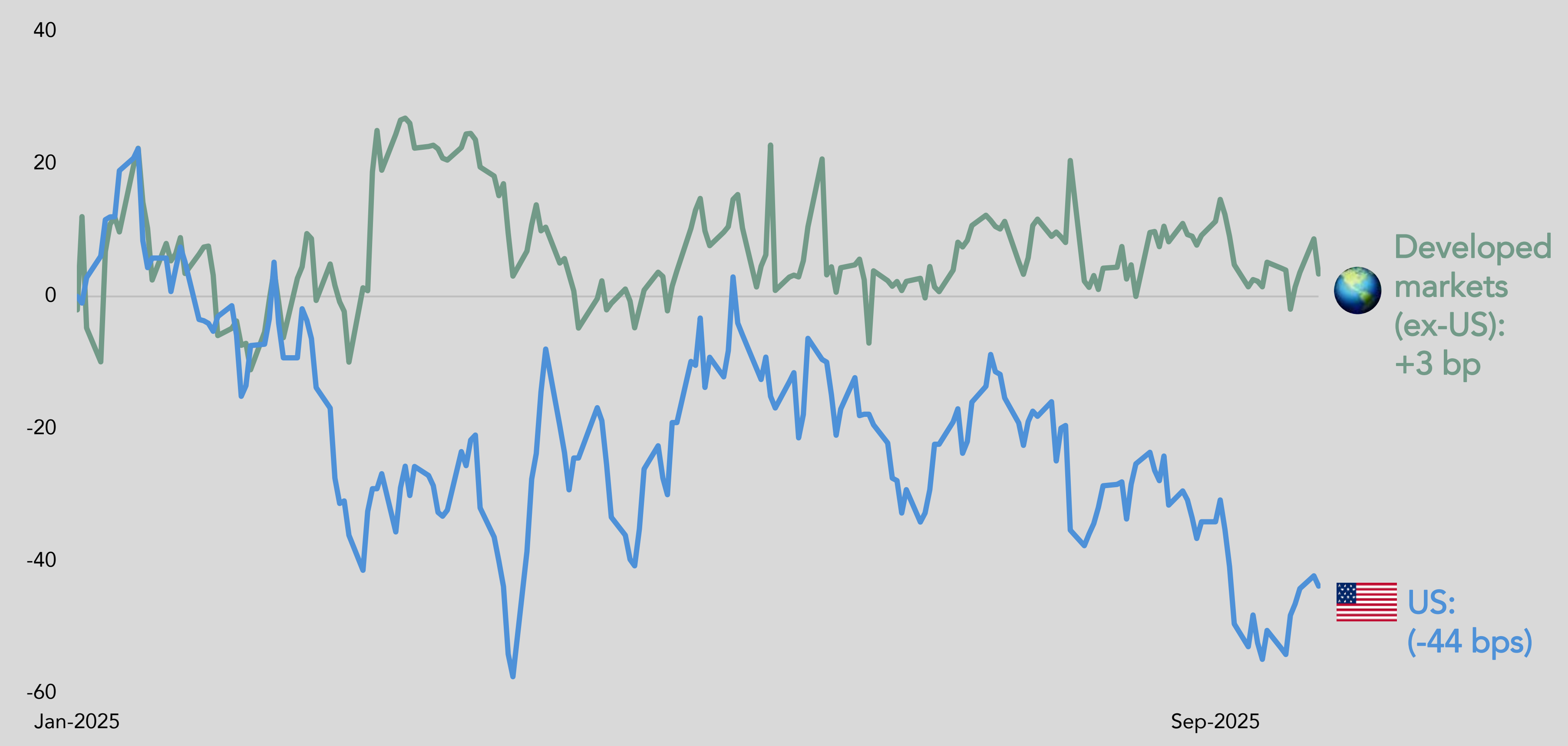
MUFG

Chart of the Day

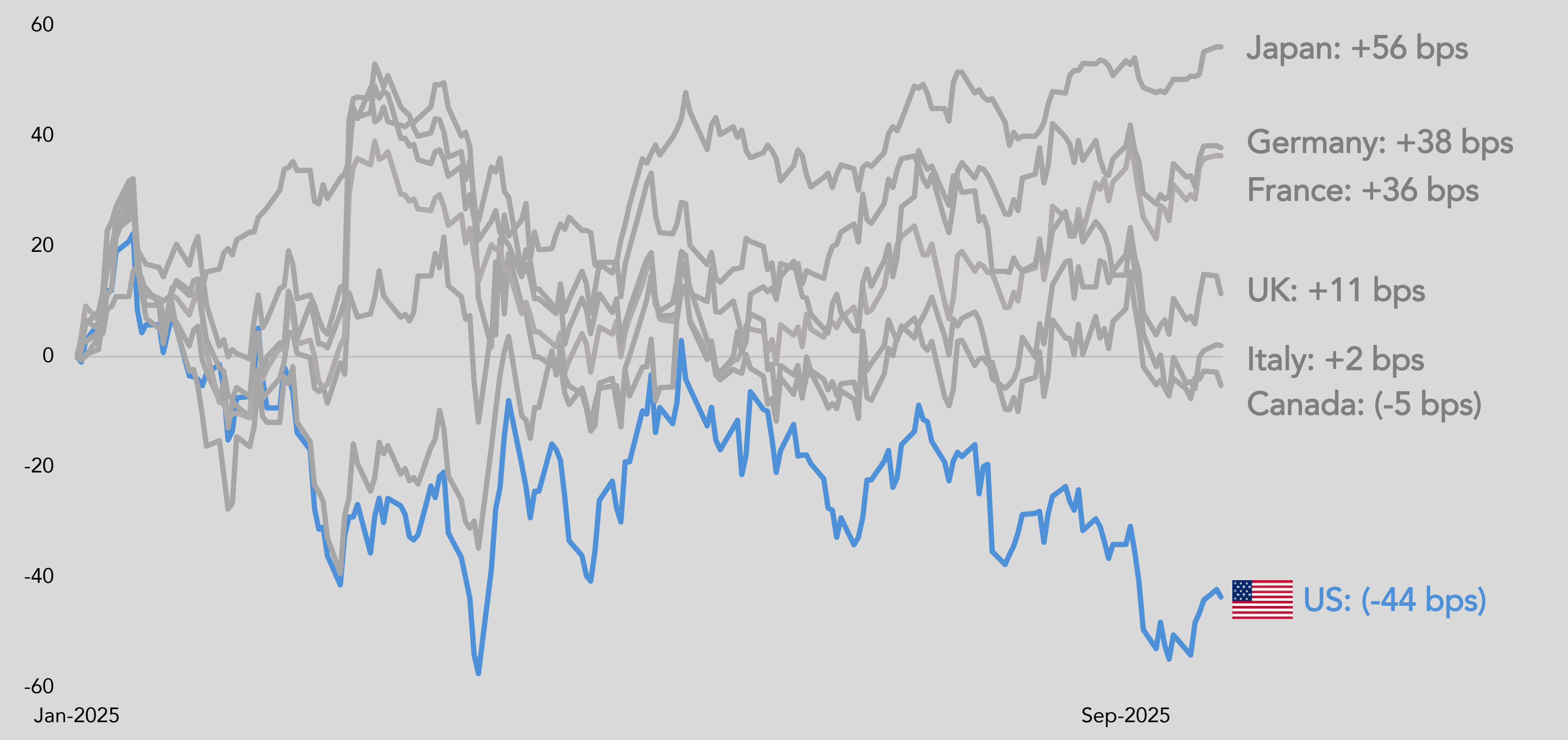
Fiscal expansion and rising deficits have become a primary concern of global investors in 2025. Despite this, 10 year UST yields have taken a different path from comparable developed market yields year-to-date. To be sure, global investor demand for US Treasuries remains strong, a notable contrast to concerns around the "Sell America" trade in early April.

2025 YTD change in 10 yr government bond yields, bps



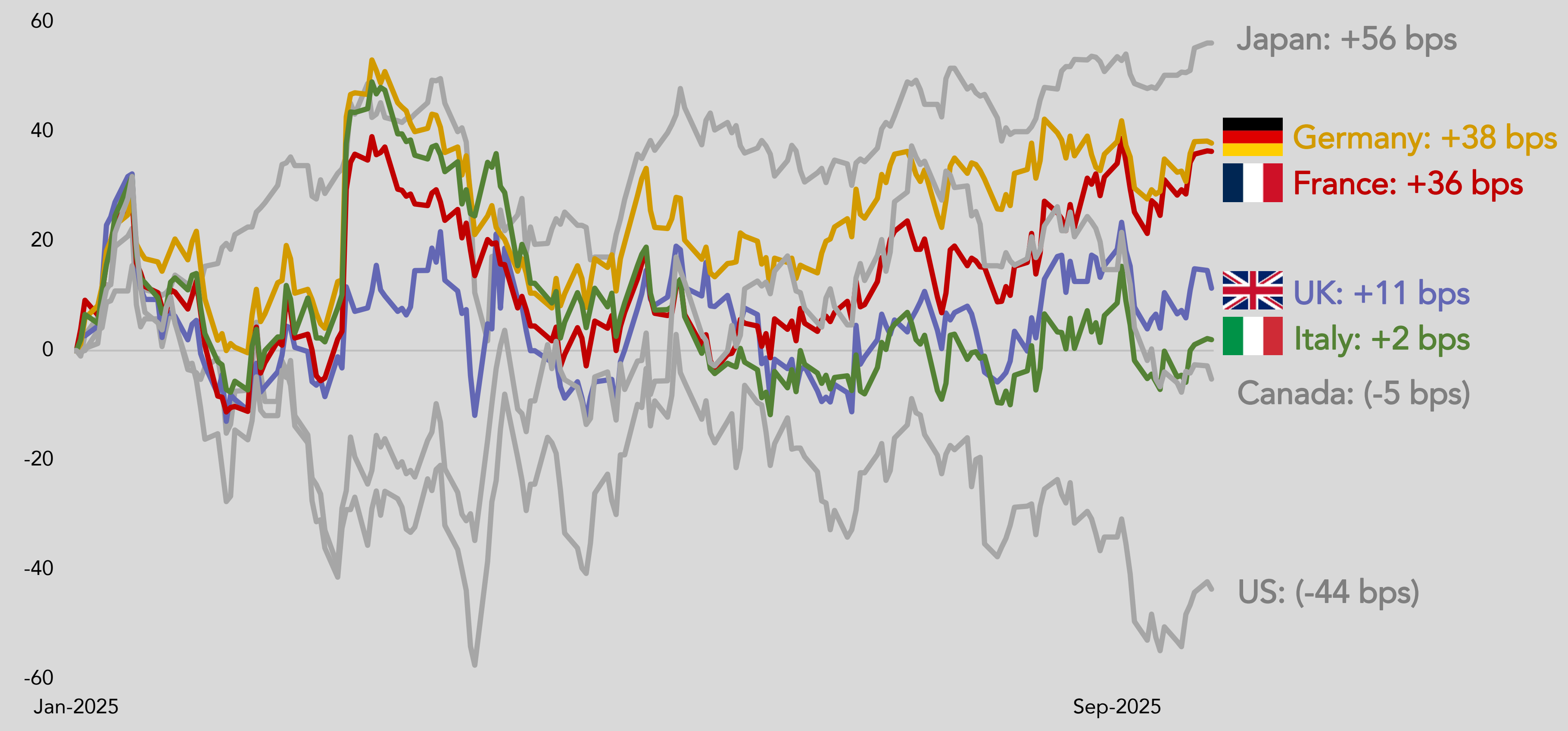
While US policy uncertainty remains high, key factors driving UST yields lower than global peers in 2025 include: (1) investor re-positioning for Fed easing cycle; (2) US economic data (labor market weakness, inflation contained); (3) demand for dollars in global commerce; and (4) the size, safety and liquidity of the UST market vis-a-vis other global government bond markets.

2025 YTD change in 10 yr government bond yields, bps



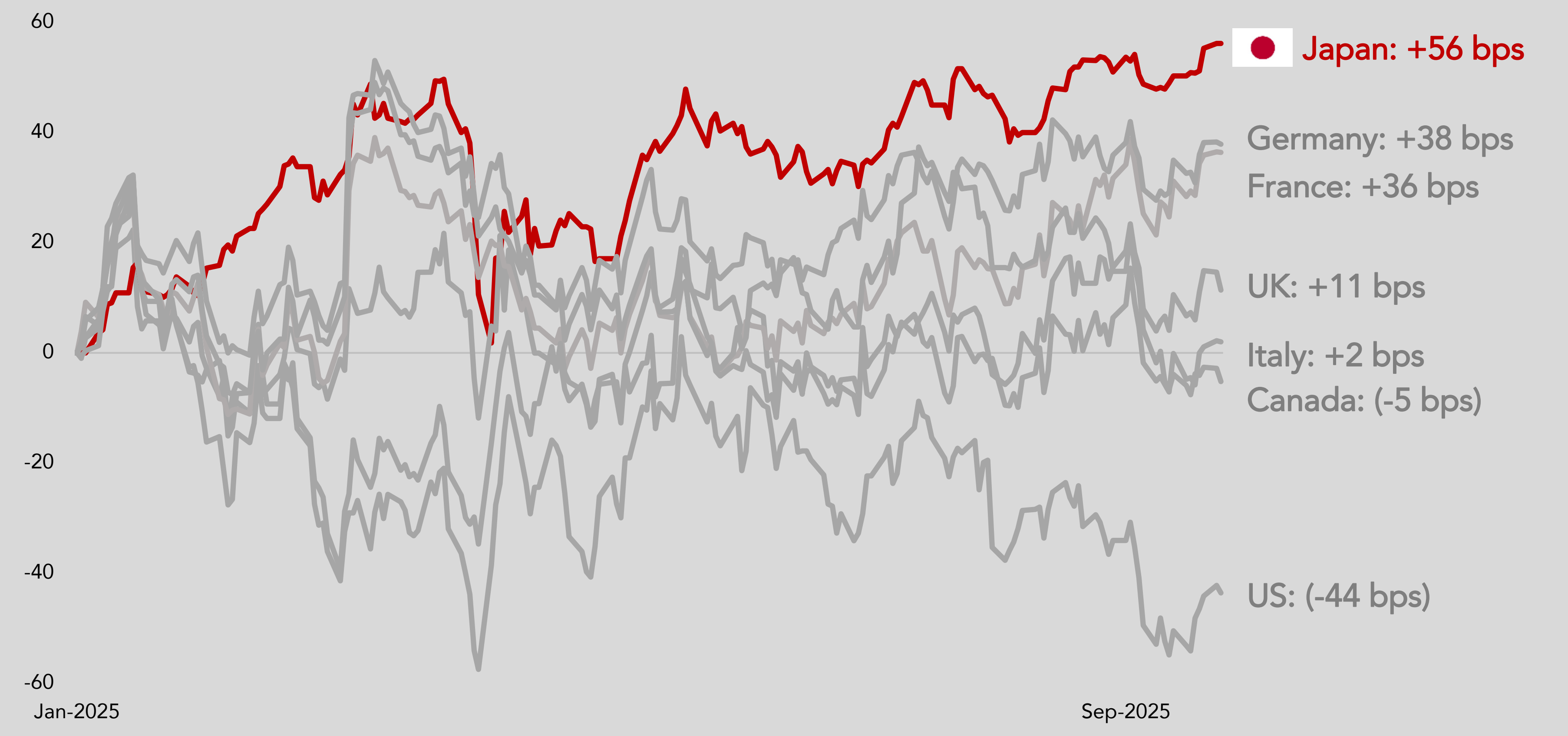
Evolving inflation, growth and policy dynamics have driven European government bond yields higher in 2025. **In the UK**, persistent deficits, BOE quantitative tightening, sticky inflation and potential currency weakness have combined to move Gilt yields higher YTD. **In Germany**, fiscal expansion on higher military and infrastructure spending, as well as an ECB pause on inflation concerns, have moved bund yields sharply higher YTD. **In France**, high fiscal deficits, an ongoing budget crisis, political resistance to spending cuts and recent rating agency downgrades have eroded investor confidence, driving yields higher.

2025 YTD change in 10 yr government bond yields, bps



The Bank of Japan (BOJ) is the only advanced economy central bank expected to actively tighten monetary policy in 2025. Persistent inflation, wage pressure, higher term premia, and elevated political and fiscal policy uncertainty have put strong upward pressure on JGB yields in 2025. By contrast, the Fed, ECB and BOE have all pursued either a neutral or easing policy stance YTD.

2025 YTD change in 10 yr government bond yields, bps



Source: (1-4) Bloomberg. Data as of September 23, 2025. Developed markets ex-US yield is equal-weighted average of 10 yr bond yields from 22 developed markets.

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"Macro stability isn't everything, but without it, you have nothing."