

## In 2026, it will be the governments, more than the central bank, that will shape the interest rates

**2025, a paradoxical year for interest rates.** The European Central Bank (ECB) continued normalizing its monetary policy amid confirmed disinflation. Its key interest rate fell from 4% in mid-2024 to 2% in recent months. Yet paradoxically, this 200 basis point cut in short-term rates has not translated into lower long-term rates. The latter remained high: around 2.7% for Germany and 3.4% for France, well above pre-Covid levels. Why this resistance? Several factors: stronger nominal growth, increased bond supply linked to rising public debt, and weaker demand due to the gradual withdrawal of central banks (Quantitative Tightening). Additionally, the international context features generally high rates, limiting room for cuts in the eurozone.

**2026, budget plans will maintain pressure on long-term rates.** The new year will be marked by the rise of fiscal support plans. In the United States, tax cuts promised by Donald Trump are expected to come into effect. In Japan, the new Prime Minister Sanae Takaichi announced a massive support plan. In Europe, the "budgetary bazooka" of the new German Chancellor is also expected to be deployed. These massive support plans will increase public financing needs and thus sovereign bond supply, fueling pressure on rates. Meanwhile, the ECB will continue reducing its balance sheet. Added to this is the risk of renewed tension on French long-term rates amid persistent political instability and heightened scrutiny of European budgetary rules.

At the same time, barring a major shock, the ECB should keep its key rate around 2%, considering its policy "well positioned" in a stabilized inflation environment and more resilient growth supported by fiscal measures. The yield curve could therefore steepen further: short-term rates held steady by the ECB, long-term rates under pressure.

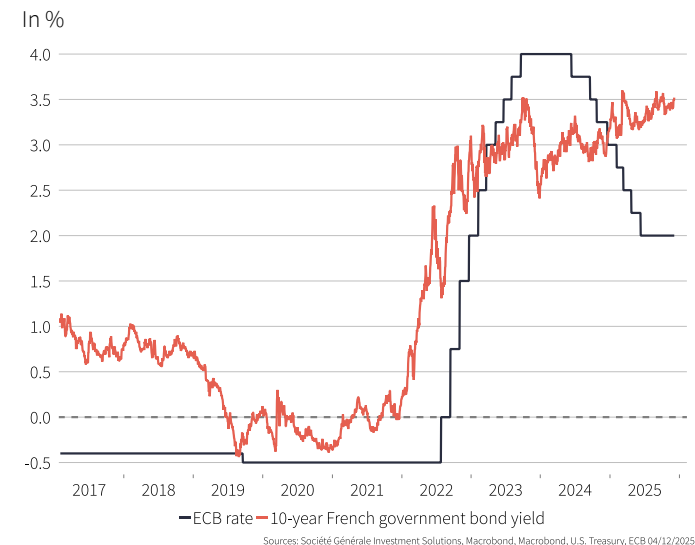
### Advice for investors: be active in investment decisions.

In this context, passivity is no longer an option. Indeed, short-term or short-duration products (savings accounts, money market funds, short-term bonds) offer secure but unattractive returns. In the bond market, caution is warranted: probable tensions on long-term rates would mechanically lead to valuation declines. However, carry strategies can take advantage of the high rate level while limiting volatility risk.

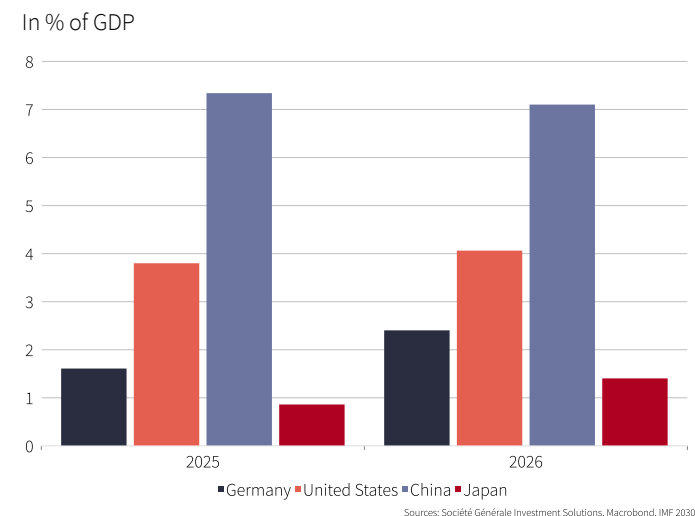
High long-term rates also favor structured products, with more generous coupons and easier capital guarantees. Finally, equity markets should benefit from fiscal support and stronger growth, notably in infrastructure, energy, and defense sectors, though volatility will remain.

In conclusion, this context of yield curve steepening should encourage investors, more than usual, to take control of their choices.

### INTEREST RATES



### PRIMARY BUDGET DEFICIT FORECASTS



*Past performance is not a guarantee of future performance. All data is from Bloomberg, Macrobond as of 12/5/2025, completion date of this publication. In accordance with the regulations in force, we inform the reader that this document is qualified as a promotional document*

# OUR MACRO COMMENTS

## Events of the week

### UNITED STATES

Economic data published this week in the US show continued resilient growth but a slowing labor market. The manufacturing ISM index fell to 48.2 in November, while the ISM services index remained in expansion territory at 52.6. Both indices, however, indicate a slowdown in new orders and a contraction in employment. The ADP survey reinforces this observation: the private sector lost 32,000 jobs in November, after creating 47,000 in October, with the decline concentrated in small businesses and cyclical sectors. Overall, according to this indicator, the labor market has been at a standstill since September. Contrary to this trend, job postings on Indeed are increasing, providing an alternative indicator in the absence of complete data related to the shutdown. The official November employment report, postponed to December 16, will provide better visibility on the labor market situation. Meanwhile, the Fed is expected to proceed with a final rate cut at its meeting on Wednesday, December 10, bringing the range to 3.5-3.75%.

### CHINA

The official November PMI indicators confirm a slowdown in activity in China, with the manufacturing index at 49.2, a slight improvement compared to October. The services index, however, fell to 49.5, dropping below the 50 threshold for the first time since late 2022. Domestic demand remains weak, affecting the services sector, while industry faces rising input prices and falling prices for finished goods. These data highlight the Chinese economy's dependence on foreign trade and the need to support the domestic market to achieve growth targets.

### EURO AREA

In November, inflation in the eurozone reached 2.2%, slightly above expectations and up from October. Core inflation, which excludes volatile items such as energy and food, remained stable at 2.4%. Overall inflation therefore remains close to the target, mainly supported by the services and energy sectors. Christine Lagarde emphasized that the risks related to inflation remain balanced but marked by significant uncertainty, notably due to the expected wage declines in several European countries and the effects of tariffs. At its next meeting on December 18, the ECB is expected to keep rates unchanged, considering that its monetary policy remains appropriate, supported by solid economic activity and inflation close to the target.

### EVENTS IN THE COMING MONTHS

December 10: Fed  
monetary policy  
meeting

December 18: ECB  
monetary policy  
meeting

December 18: BoE  
monetary policy  
meeting

December 19: BoJ  
monetary policy  
meeting

Source: Macrobond, December 5, 2025. The colors in the 'Actual' column correspond to the difference from the forecast

### KEY EVENTS NEXT WEEK



#### Monday

**China** Balance of trade NOVEMBER

#### Tuesday

**Germany** Balance of trade OCTOBER

**United States** JOLTS Job openings SEPTEMBER/ OCTOBER

#### Wednesday

**United States** Monetary policy decision Fed

**China** Inflation NOVEMBER

**Italy** Industrial production OCTOBER

**Spain** Consumer confidence index NOVEMBER

#### Thursday

**United States** Initial jobless claims DECEMBER

#### Friday

**Japan** Industrial production OCTOBER

**United Kingdom** - Balance of trade OCTOBER  
- Industrial production OCTOBER

# MARKET PERFORMANCES

## Interbank rates

%	02/12/2025	05/11/2025	05/09/2025	01/01/2024	05/12/2024
US SOFR	4,000	4,20	4,36	5,34	4,62
Euro area €ster	1,929	1,93	1,92	3,88	3,17
UK SONIA	3,971	3,97	3,97	5,19	4,70
Switzerland SARON	-0,038	-0,05	-0,04	1,70	0,95
Japan TONAR	0,477	0,48	0,48	-0,04	0,23

## 10Y Government rates

%	03/12/2025	05/11/2025	05/09/2025	01/01/2024	05/12/2024
US Treasuries	4,06	4,17	4,10	3,88	4,17
France OAT	3,49	3,45	3,45	2,55	2,89
Germany Bund	2,75	2,67	2,66	2,02	2,11
Italy BTP	3,49	3,42	3,53	3,70	3,20
Spain Bonos	3,22	3,18	3,25	2,98	2,76
Switzerland	0,18	0,14	0,29	0,66	0,22
UK Gilts	4,50	4,53	4,66	3,60	4,24
Japan JGB	1,84	1,67	1,59	0,62	1,06

## Credit

%	04/12/2025	05/11/2025	05/09/2025	01/01/2024	05/12/2024
United States IG	4,81	4,89	4,78	5,06	5,02
United States HY	6,59	6,88	6,66	7,59	7,08
Europe IG	3,34	3,28	3,30	3,72	3,31
Europe HY	5,24	5,29	5,35	6,80	5,66
Emerging FX	5,52	5,57	5,70	6,77	6,15

## Equity indices

04/12/2025 vs	-1w	-1m	-3m	01/01/2024	-1y
World	0,35	1,238	6,312	43,0	16,43
United States	0,26	1,131	5,809	45,5	13,69
Euro area	0,66	1,081	6,760	34,4	22,99
France	-0,06	0,591	5,539	14,5	15,43
Germany	0,38	-0,021	0,602	36,8	17,04
United Kingdom	-0,10	-0,112	5,830	32,8	19,13
Japan	0,60	3,909	10,958	50,6	26,79
Emerging	0,66	0,109	8,624	45,0	26,91
China USD	0,47	-1,504	1,004	59,6	35,48
India USD	-1,31	-1,228	1,815	15,9	-2,68
Latin America USD	2,84	6,989	14,352	16,1	48,58

## Foreign exchange rates

	04/12/2025	05/11/2025	05/09/2025	01/01/2024	05/12/2024
EUR/USD	1,17	1,15	1,17	1,11	1,06
GBP/USD	1,34	1,30	1,35	1,27	1,28
EUR/CHF	0,93	0,93	0,94	0,93	0,93
USD/JPY	154,69	154,28	147,04	141,03	150,21
USD/CNY	7,06	7,13	7,13	7,08	7,26

## Commodity prices

	04/12/2025	05/11/2025	05/09/2025	01/01/2024	05/12/2024
Brent, USD/BL	63	63	66	77	72
Copper, USD/Metric ton	11472	10603	9881	8476	8967
Gold, USD/Troy oz	4209	3979	3587	2063	2632
Silver, USD/Troy oz	58	48	41	24	31
Palladium, USD/Troy oz	1446	1417	1130	1136	975
Platinum, USD/Troy oz	1636	1556	1392	1000	942

Source : Bloomberg on 5 December 2025, 1W = 1 week change, 3M = 3 month change, 12M = 12 month change, YTD = year to date change, Equities; total return in local currency. Government bonds = 10 year returns. Figures are rounded..



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