

U.S. Rates: The Arithmetic of Nominal Growth

The U.S. 10-year Treasury yield has exceeded 5.3%, its highest level since 2002. This level may seem particularly high after more than a decade of very low interest rates. However, it should be considered in light of the strength of the U.S. economy: in the second quarter, nominal growth reached 8.5% on an annualized basis. Taken in isolation, this figure could justify even higher interest rates. But one quarter is not enough to define a trend. The real question is whether the United States has entered a lasting period of stronger nominal growth.

Over the long term, a classic relationship suggests that interest rates tend to move close to nominal growth, that is, real growth plus inflation. This relationship compares, in a simplified way, the cost of “risk-free” financing with the growth of income generated by the economy. According to the third estimate of second-quarter GDP, the economy grew by 8.5% in current dollars on an annualized basis. This breaks down into real growth of 2.2%, revised upward from the previous estimate of 1.5%, and a GDP deflator increase of nearly 6%. Compared with a 10-year yield of 5.3%, the gap therefore exceeds three percentage points in favor of nominal growth. If this pace were to continue, borrowing at these levels would remain relatively attractive, and higher long-term rates would not necessarily be incompatible with the economy’s momentum.

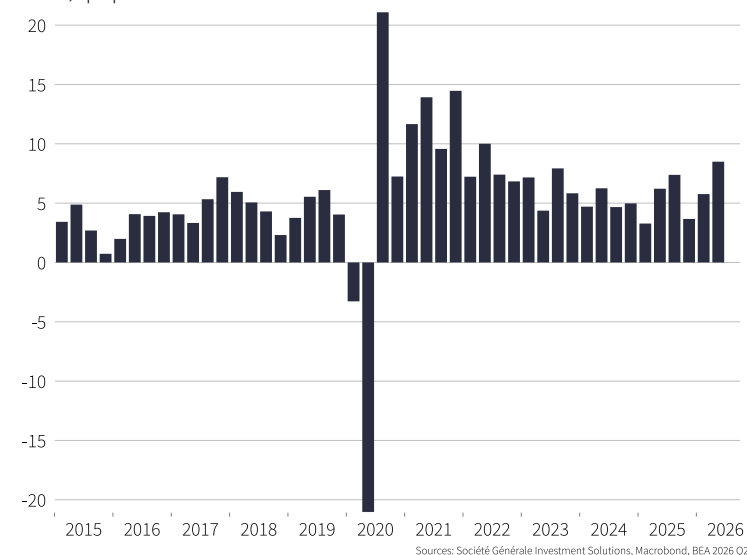
This comparison must nevertheless be handled with caution. The 10-year yield does not reflect past-quarter growth, but rather expectations for future growth, inflation, and monetary policy. Yet nominal growth is volatile: it was

“only” 5.1% in the first quarter. Its composition also matters. More than two-thirds of the increase recorded in the second quarter came from prices, in the context of an energy shock, while core inflation remained more moderate, with the PCE index excluding food and energy rising by 3.3% annually. Nominal growth driven mainly by energy is inherently fragile: it erodes purchasing power and can quickly fade if oil prices decline. Therefore, it is not the 8.5% figure itself that matters most for assessing the equilibrium level of long-term rates, but rather the underlying trend in nominal growth.

It remains possible that the nominal regime of the U.S. economy has changed permanently. During the 2010s, moderate real growth, inflation often below the Federal Reserve’s target, and highly accommodative monetary policies created an environment of exceptionally low interest rates. Today’s context is different. Inflation remains higher, economic activity is resilient, public deficits support demand, and investment linked to new technologies could sustain stronger real growth. If nominal growth now stabilizes around 5% to 6%, rather than the very low levels of the previous decade, then a 10-year yield near 5% would appear less exceptional. Such a new regime would not be neutral for financial markets. It would weigh on real estate credit, gradually increase refinancing costs for indebted borrowers, and require higher discount rates for long-term assets. For investors, the challenge is therefore no longer simply to anticipate the Federal Reserve’s next decision, but to determine whether the return of long-term rates above 5% is a temporary tension or the new equilibrium of a more dynamic, value-driven U.S. economy.

UNITED STATES: NOMINAL GROWTH

% ch, qoq annualized



UNITED STATES: INTEREST RATES

%



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OUR MACRO COMMENTS

Events of the week

EURO ZONE: THE ENERGY CRISIS ACCELERATES INFLATION

Inflation accelerated markedly in September, mainly reflecting higher energy prices. Headline inflation reached 3.8% year-on-year, above expectations and its highest level since 2023. At this stage, Eurostat has not yet published the detailed breakdown of the sub-components, but the agency noted in its report that fuel prices made a significant contribution to the increase. Core inflation also showed a slight acceleration, reaching 2.5% year-on-year. By country, while French inflation rose sharply to 3.0% in September, it remains the lowest in the euro area. Although these figures do not call into question the European Central Bank's (ECB) interest rate tightening cycle, the moderate increase in core inflation should allow the monetary authority to pause at its October monetary policy meeting.

FRANCE: RISING PRESSURE ON SOVEREIGN BOND YIELDS

French sovereign bond yields and risk premiums continued to rise, driven both by the global increase in interest rates and by concerns surrounding France's budget bill and electoral cycle. Indeed, the yield on the 10-year French government bond (OAT) ended the week at 4.9%, its highest level since 2018. At the same time, the risk premium widened further, reaching 149 basis points over the equivalent German government bond. This is now the highest spread within the euro area. These tensions mainly reflect investors' concerns about the trajectory of France's public debt. The government has revised its budget deficit forecast upward to 5.4% of GDP in 2026 and is maintaining a target of 5.0% in 2027, implying a continued increase in the public debt-to-GDP ratio. Despite these concerns, the various bond auctions conducted by the French Treasury proceeded smoothly, with all issuances being oversubscribed, meaning investor demand exceeded the amount of debt offered for sale.

Source: Macrobond, October 2, 2026. The colors in the 'Actual' column correspond to the difference from the forecast

MARKET PERFORMANCES

Interbank rates

%	30/09/2026	02/09/2026	02/07/2026	01/01/2024	02/10/2025
US SOFR	3,747	3,65	3,63	5,34	4,30
Euro area €ster	2,437	2,19	2,18	3,88	1,92
UK SONIA	3,733	3,73	3,73	5,19	3,97
Switzerland SARON	-0,068	-0,04	-0,04	1,70	-0,04
Japan TONAR	1,226	0,98	0,98	-0,04	0,48

10Y Government rates

%	01/10/2026	02/09/2026	02/07/2026	01/01/2024	02/10/2025
US Treasuries	5,24	4,79	4,49	3,88	4,10
France OAT	4,92	4,26	3,65	2,55	3,52
Germany Bund	3,56	3,38	2,94	2,02	2,70
Italy BTP	4,72	4,21	3,68	3,70	3,55
Spain Bonos	4,16	3,83	3,34	2,98	3,24
Switzerland	0,64	0,50	0,36	0,66	0,25
UK Gilts	5,42	5,24	4,85	3,60	4,78
Japan JGB	3,06	2,96	2,70	0,62	1,66

Credit

%	01/10/2026	02/09/2026	02/07/2026	01/01/2024	02/10/2025
United States IG	6,01	5,55	5,22	5,06	4,75
United States HY	8,35	7,35	7,13	7,59	6,65
Europe IG	4,40	4,12	3,64	3,72	3,30
Europe HY	6,87	6,08	5,72	6,80	5,20
Emerging FX	6,67	6,01	5,78	6,77	5,70

Equity indices

01/10/2026 vs	-1w	-1m	-3m	01/01/2024	-1y
World	-1,00	-0,405	1,115	63,56	18,07
United States	-0,98	-0,207	1,954	64,09	15,76
Euro area	-2,06	-2,574	-3,032	49,70	15,11
France	-2,90	-5,059	-7,013	15,13	3,04
Germany	-1,78	-3,446	-2,227	43,63	4,81
United Kingdom	-2,34	-2,977	-0,944	46,40	14,82
Japan	1,12	2,395	3,029	87,61	35,42
Emerging	-0,82	1,089	-0,375	81,14	29,27
China USD	-0,14	-2,997	3,135	38,04	-18,69
India USD	-3,69	-7,051	-6,343	1,25	-9,95
Latin America USD	-0,88	-4,424	2,464	28,63	21,40

Foreign exchange rates

	01/10/2026	02/09/2026	02/07/2026	01/01/2024	02/10/2025
EUR/USD	1,13	1,16	1,14	1,11	1,17
GBP/USD	1,32	1,35	1,34	1,27	1,35
EUR/CHF	0,94	0,94	0,92	0,93	0,93
USD/JPY	157,78	158,74	160,97	141,03	147,40
USD/CNY	6,70	6,72	6,79	7,08	7,12

Commodity prices

	01/10/2026	02/09/2026	02/07/2026	01/01/2024	02/10/2025
Brent, USD/BL	108	94	72	77	64
Copper, USD/Metric ton	14 335	14 355	13 202	8 476	10 455
Gold, USD/Troy oz	4 177	4 388	4 124	2 063	3 856
Silver, USD/Troy oz	61	65	61	24	47
Palladium, USD/Troy oz	1 199	1 350	1 266	1 123	1 266
Platinum, USD/Troy oz	1 725	1 777	1 629	1 008	1 594

Source : Bloomberg on 2 October 2026, 1W = 1 week change, 3M = 3 month change, 12M = 12 mont change, YTD = year to date change, Equities; total return in local currency . Government bonds = 10 year returns. Figures are rounded..



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