

Government bonds: Market expectations

The table shows the yields for government bonds in Germany and the USA for maturities of 3 months to 10 years. In addition to the current yields, the table contains the yields in one, two and three years based on current market prices.

We compare these yields to the pre-pandemic average for the years 2017 to 2019. We assume that the global economy will again develop similarly to before the pandemic in about two to three years and will be characterised by comparatively low economic growth and inflation in line with central bank targets.

Forward yields are meaningfully above pre-pandemic levels. This is especially true for 3-month T-Bills, with current market prices suggesting that central bank interest rates will remain elevated in the years ahead. In contrast, in an economic downturn, as envisaged by the central banks, a drop in central bank rates could be expected in about two years at the latest.

Government bond yields (current and forward)

		Germany					US Treasury				
		Current*	1 year fwd.	2 years fwd.	3 years fwd.	Avg.2017-2019	Current*	1 year fwd.	2 years fwd.	3 years fwd.	Avg.2017-2019
Maturity	3 months	1.46	2.03	1.73	2.03	-0.72	4.28	4.21	3.61	3.26	1.66
	2 years	2.17	1.90	1.88	1.93	-0.67	4.45	3.93	3.47	3.30	1.96
	5 years	1.99	1.88	1.86	1.85	-0.35	3.85	3.61	3.46	3.40	2.20
	10 years	1.97	1.95	1.96	2.01	0.21	3.66	3.59	3.58	3.64	2.46
Yield curve	10 years - 3 months	0.50	-0.08	0.23	-0.02	0.93	-0.62	-0.61	-0.03	0.38	0.80
	10 years - 2 years	-0.20	0.05	0.08	0.07	0.88	-0.78	-0.33	0.11	0.34	0.50
Inflation linked bonds (10 years)	Real yield	-0.26	-	-	-	-0.92	1.37	1.28	1.32	1.39	0.66
	Inflation expectations	2.23	-	-	-	1.13	2.30	2.31	2.26	2.25	1.80

*Data as per 28-Nov-22. Source: Index provider