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**Amundi**  
ASSET MANAGEMENT

# WEEKLY LIQUIDITY & TREASURY

6th May, 2021

## Turbulence in the interest rate markets

### Janet Yellen's surprising statements

The interest rate markets fluctuated significantly on May 4, with German and U.S. sovereign rates falling by large amounts. Two events appear to have been responsible for this renewed risk aversion: the emergence of tensions between China and Taiwan and statements by former Fed Chair Janet Yellen.

According to the current U.S. Treasury Secretary "...**U.S. rates may need to be raised more quickly than anticipated**" last week by the Fed "**in order to prevent the U.S. economy from overheating, even if the additional spending is relatively small compared to the size of the economy.**"



Janet Yellen

Although Janet Yellen later clarified that her statements should not be considered either a prediction or a recommendation, fears of a sharp rise in inflation persist, fueled by the nearly \$2 trillion emergency plan and the two investment plans recently presented by Biden for a total of \$3.8 trillion over 10 years.

The astonishment at these statements remains, given the importance placed on the Fed's independence from political power, of which Ms. Yellen is now a part.

## What are the impacts on the markets?

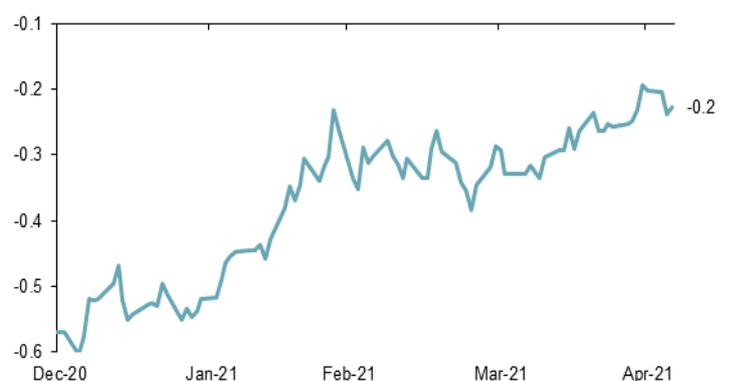
The interest rate market has shown a relative feverishness this week, which has manifested itself in a clear drop in long-term rates, both in Europe and the United States. However, this decline remains small compared to the upward movement that began in early 2021.

And the drivers that have driven this rise since the beginning of the year - a stronger-than-expected economic recovery, a marked improvement in health conditions in European countries due to vaccination campaigns and containment measures, combined with the prospect of a faster and stronger rise in inflation than initially expected - are still in place.

### Rapid rise in the value of the German Bunds

The rise in German Bund rates has been particularly marked in recent weeks if you think that at the end of December 2020, financial analysts were anticipating a German 10-year rate at -0.30%.... by the end of December 2021: on Wednesday, May 4, its rate reached -0.19%!

German 10 yr yields

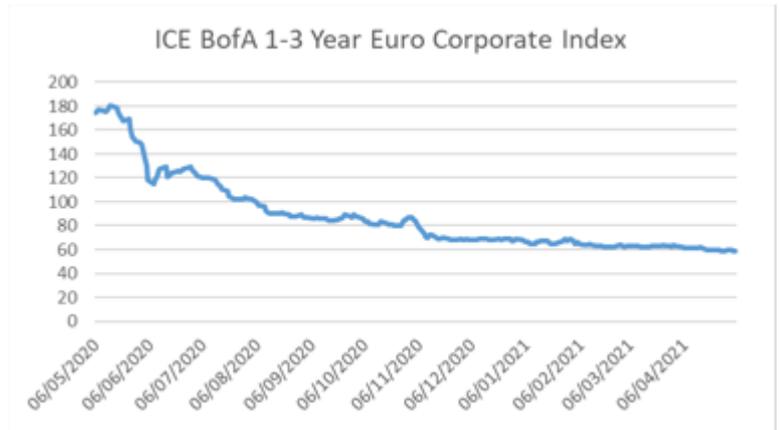


Source: Bloomberg

The markets seem to be looking for "breathing room".

**Credit: Nothing to report**

As far as the evolution of credit is concerned, calm reigns (literally and figuratively) as shown in the graph opposite.



Source : Bloomberg

MONEY MARKET																
	Spot	Median	Low	High	Δ YTD	Δ 1W	1Y Histo		Spot	Median	Low	High	Δ YTD	Δ 1W	1Y Histo	
<b>EURO</b>	bp								<b>US</b>	bp						
EONIA*	-48	-48	-50	-47	+2	0		FedFunds*	6	7	5	9	-3	0		
€STER*	-57	-57	-58	-56	-	-		OIS 1 M	7	7	6	9	-1	-0		
OIS 1 M*	-48	-48	-48	-47	-1	0		OIS 3 M	8	8	6	9	0	-0		
OIS 3 M*	-49	-48	-49	-48	-1	0		OIS 6 M	8	8	7	9	+1	-0		
OIS 6 M*	-49	-49	-50	-47	0	0		OIS 12 M	9	8	7	9	+1	-1		
OIS 12 M*	-49	-49	-52	-47	+2	0										
EURIBOR 3M	-53	-54	-56	-53	+1	+1		ICE LIBOR USD 3M	0,18	0,19	0,17	0,24	-0	-0		
GOV RELATED BONDS																
	Spot	Median	Low	High	Δ YTD	Δ 1W	1Y Histo		Spot	Median	Low	High	Δ YTD	Δ 1W	1Y Histo	
<b>Bunds</b>	bp								<b>US Govt. Bonds</b>	bp						
2 Y	-70	-70	-75	-65	+1	-2		2 Y	15	14	10	19	+3	-1		
5 Y	-61	-65	-76	-55	+13	-5		5 Y	80	79	35	98	+44	-7		
10 Y	-23	-33	-60	-19	+34	-4		10 Y	157	152	91	174	+66	-6		
30 Y	33	21	-20	36	+49	-3		30 Y	225	223	164	245	+60	-5		
<b>Bunds Curve</b>	bp								<b>US Curve</b>	bp						
2-5 Y	9	5	-4	12	+12	-3		2-5 Y	64	64	24	79	+40	-6		
5-10 Y	38	31	16	38	+21	+1		5-10 Y	77	74	55	84	+22	+0		
2-10 Y	47	37	12	49	+34	-2		2-10 Y	142	137	79	158	+62	-6		
10-30 Y	56	51	38	58	+15	+1		10-30 Y	67	74	63	86	-6	+1		
<b>SWAPS Spreads EUR</b>	bp								<b>(Semi Annual)</b>							
2 Y	21	20	18	22	+2	+0		2 Y	11	10	7	14	+4	-0		
5 Y	33	30	26	34	+5	+1		5 Y	10	10	6	13	+4	+1		
10 Y	34	33	27	38	+3	-0		10 Y	-1	3	-2	9	-2	-1		
<b>Futures 10 Y</b>	Price								<b>Futures 10 Y</b>	Price						
Ger. Govt. Bonds	170,64	173,68	169,88	178,12	-7	+1		US Treasuries	132,61	133,65	130,94	138,13	-5	+1		

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