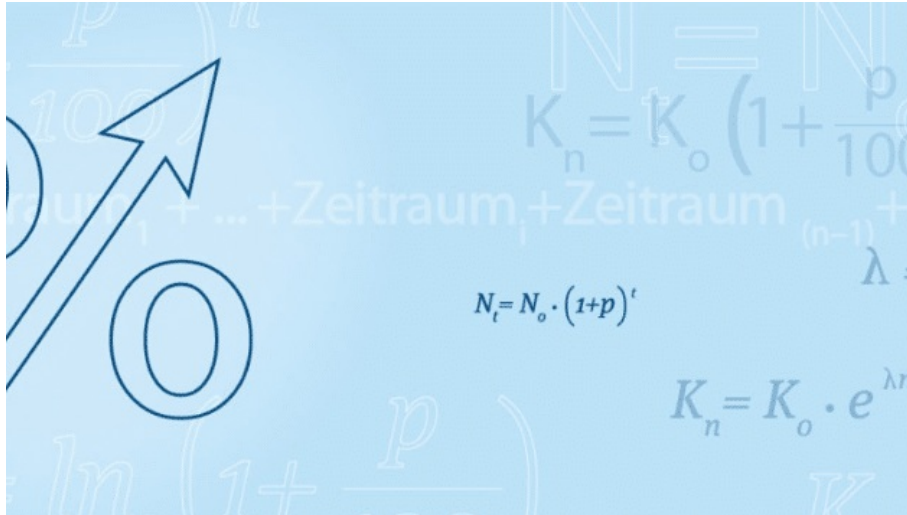


<https://blog.en.erste-am.com/?p=9643>

Yield opportunity in the bond market: August 2020

Paul Severin



Two developments stand out on the markets. Firstly, the inflation rate priced into bond yields has not risen lately. The so-called break-even inflation rate for the USA in the 10-year maturity range is just under 1.7%. The development of this indicator gives an indication of the market expectations for the cyclical recovery.

Secondly, the US dollar is once again under pressure (DXY) against a basket of established currencies (EUR, JPY, GBP). A strengthening of the US dollar can be observed against emerging market currencies. With one important exception. The Chinese currency Renminbi was able to further strengthen versus the US dollar. A possible fundamental reason for the weakness of the US dollar is the disagreement between the Republicans and the Democrats about a further economic stimulus package.

Development of bond yields of US- and EUR-Government-Bonds and EUR-Corporate-Bonds Investment-Grade (08/2015-08/2020)

Development of bond yields of European High-Yield-Bonds compared with global High-Yield-Bonds and Emerging-Markets-Corporate-Bonds (08/2015-08/2020)

Please note:

The development of historic yields is not a reliable indicator for future developments of a specific asset category or asset class. The charts above do not include any fees or costs.

Ratio-Overview (more information and all risk notes can be found at www.erste-am.com)

Legal note:

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Paul Severin

Paul Severin has worked at Erste Asset Management since April 2008. Until 2012 he was responsible for the company's product management; he has directed communications and PR activities since April 2012. From 1992 to 2008, he was director of equity fund management and deputy director for institutional funds at Pioneer Investments Austria in Vienna.

His career in the securities business began in 1992 at Constantia Privatbank as a portfolio manager and analyst. He worked as primary analyst at Creditanstalt Investmentbank in Vienna from 1994 to 1999.

He studied international business at Innsbruck University and Marquette University in Milwaukee, WI, USA. Before his university studies, he worked at Dornbirner Sparkasse in letters of credit and export financing.

Paul Severin is a member of the board at ÖVFA (Austrian Association for Financial Analysis and Asset Management) and a CEFA charter holder.

Paul Severin is also on Twitter: [@paulseverin](https://twitter.com/paulseverin)