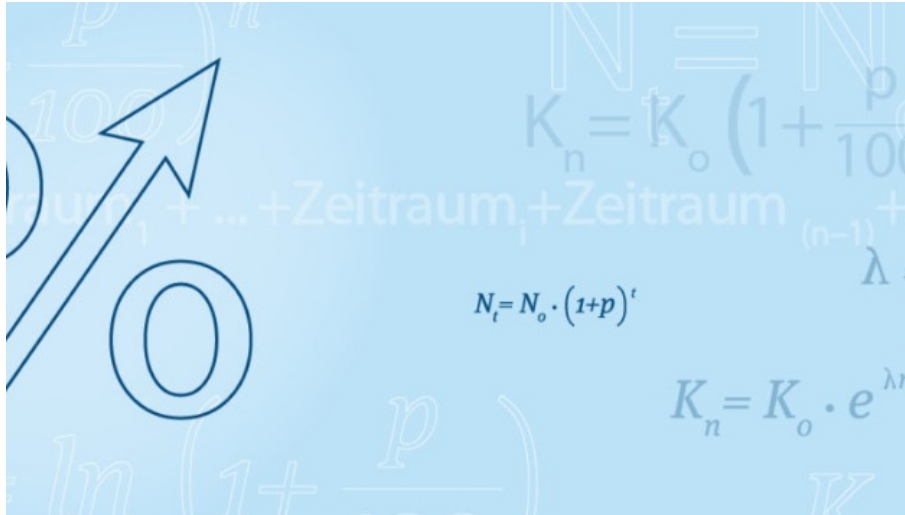


<https://blog.en.erste-am.com/yield-opportunity-in-the-bond-market/>

## Yield opportunity in the bond market: May 2021

Paul Severin



The global economy is recovering significantly, starting from the United States. Corporate profits are pointing upwards, demand for commodities is increasing and sentiment indicators are rising strongly. Public spending will continue to support the economy and central bank policy is also market-friendly.

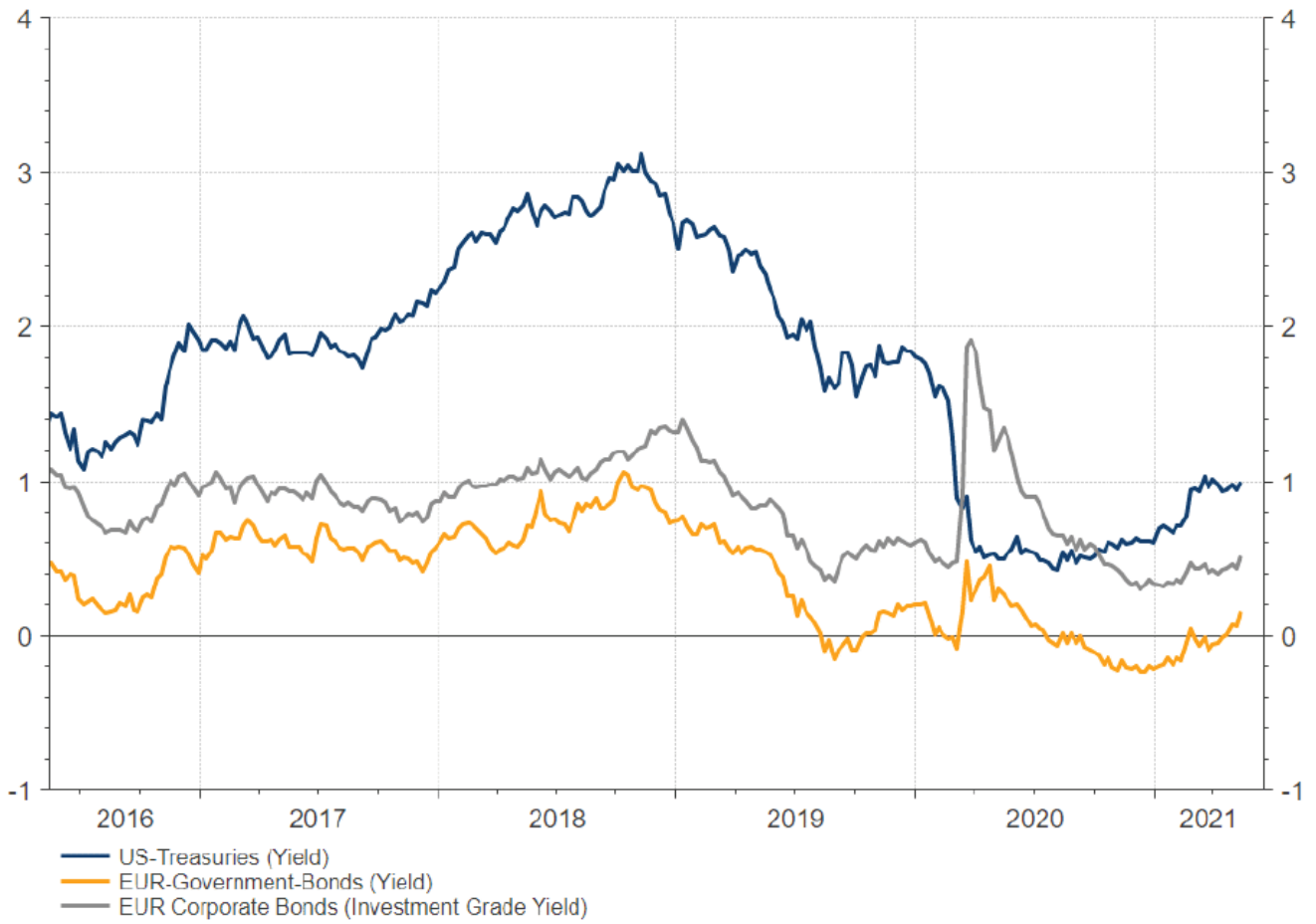
The main risk lies in permanently higher inflation due to a possible overheating of the economy and because of high budget deficits.

This leads to a negative assessment for government bonds from the developed world and also for corporate bonds with good to very good credit ratings. In general, securities with low interest rate sensitivity are preferred in this environment.

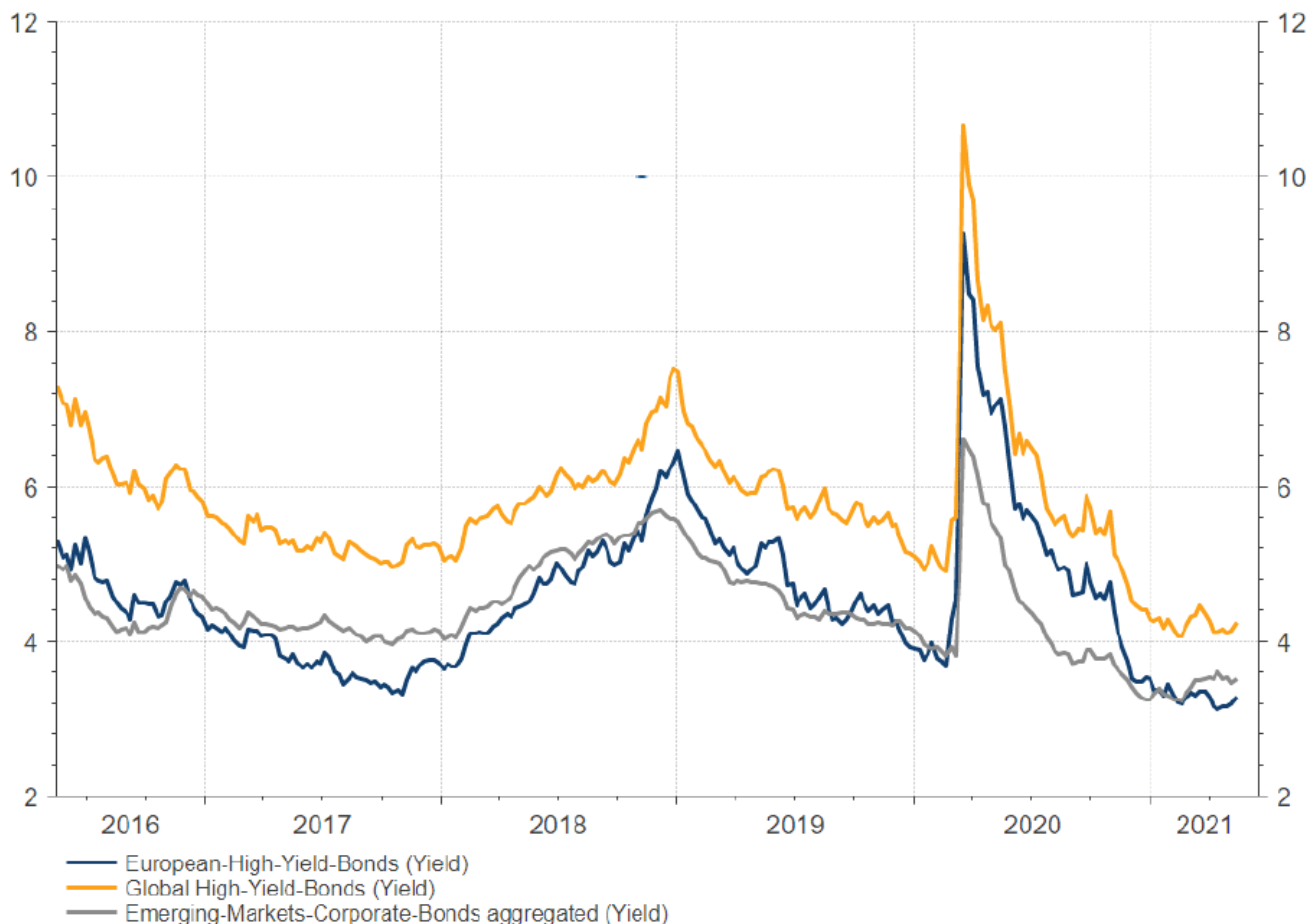
A rapid and sharp rise in bond yields poses therefore the biggest threat. Higher bond yields weigh on the stock market, mainly on the growth stocks, and lead to increased volatility.

	Yield per 30 April 2021	Reference funds	SRRI
Euro Base Rate	0.00%	ECB Euro Base Rate	
Euro Money Market	-0,14 %	ERSTE RESERVE EURO PLUS	2
US Federal Funds Rate	0.00 %	Federal Reserve Base Rate (lower bandwidth)	
Euro Government Bonds	0.56%	ERSTE BOND COMBIRENT	3
Euro Bonds Responsible	0.51%	ERSTE RESPONSIBLE BOND	3
Euro Corporate Bonds Responsible	0.61%	ERSTE RESPONSIBLE BOND EURO CORPORATE	3
European Corporate Bonds	0.75%	ERSTE BOND EURO CORPORATE	3
US Mortgage Bonds	2.67%	ERSTE MORTGAGE	3
Corporate Hybrid Bonds	1.47%	ERSTE BOND CORPORATE PLUS	4
US Corporate Bonds	2.84%	ERSTE BOND USA CORPORATE	4
CEE sovereigns	2.49%	ERSTE BOND DANUBIA	4
Corporate Bonds Rating BB	2.49%	ERSTE BOND CORPORATE BB	4
European High Yield	3.00%	ERSTE BOND EUROPE HIGH YIELD	4
Emerging Corporate Bonds Responsible	3.60%	ERSTE RESPONSIBLE BOND EM CORPORATE	3
Emerging Sovereigns Hard Currency	3.93%	ERSTE BOND EM GOVERNMENT	4
Emerging Corporate Bonds	3.63%	ERSTE BOND EM CORPORATE	4
Emerging Sovereigns Local Currency	5.15%	ERSTE BOND EM GOVERNMENT LOCAL	4
US High Yield Bonds	5.10%	ERSTE BOND USA HIGH YIELD	4

- Money market and short term maturities
- Bonds with good and very good ratings
- High interest rate bonds and mixed ratings



**Development of bond yields of European High-Yield-Bonds compared with global High-Yield-Bonds and Emerging-Markets-Corporate-Bonds (5/2016-5/2021)**



Source: Refinitiv Datastream

**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](http://www.erste-am.com))

**Legal note:**

Prognoses are no reliable indicator for future performance.

ERSTE RESERVE EURO PLUS, ERSTE BOND EURO MÜNDELRENT, ERSTE BOND INFLATION LINKED, ERSTE BOND EURO RENT, ERSTE MORTGAGE, ERSTE BOND USA CORPORATE, ERSTE BOND DANUBIA, ERSTE BOND CHINA intends to invest more than 35% of its assets in securities and/or money market instruments of public issuers. A detailed list of these issuers can be found in the prospectus, para. II, point 12.

ERSTE MORTGAGE may make significant investments in derivatives (including swaps and other OTC derivatives) pursuant to section 73 of the 2011 Austrian Investment Fund Act.

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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.

