


Trust must be earned


"While PM Takaichi pursues expansionary fiscal policies to boost growth, the BOJ is trying to stem extreme yen volatility and contain inflationary pressures. This combination of fiscal easing and monetary tightening is putting upward pressure on bond yields."

Monica Defend

Head of Amundi Investment Institute

Japan bond yields on the rise

2Y bond yields rose to their highest level since 2008 on hopes of a rate hike by the BOJ.

We maintain our projection of a BOJ rate hike of 25 bps later this month and another similar move next year.

Rising yields in the long term might increase the appeal of local bonds for Japanese investors, who currently find foreign bonds more attractive.



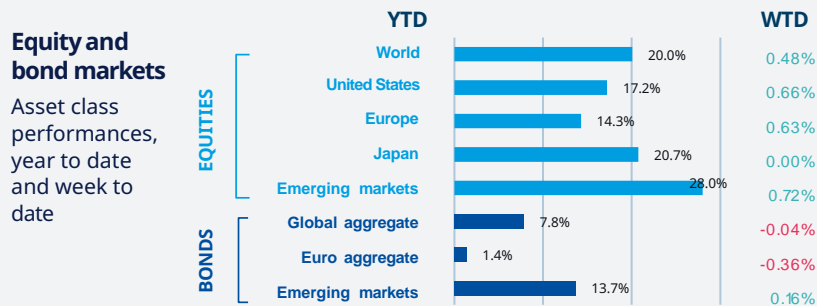
Yields on Japan's two-year bonds touched their highest levels since 2007, on market expectations of a rate hike later this month. While the short end (2-year) is more sensitive to policy-rate moves, yields on 10-year and 30-year bonds have also risen amid concerns about the government's expansionary fiscal policy and high public-debt levels. The Bank of Japan (BOJ) aims to control inflation and to signal its independence to markets. The BOJ would also like to control the pace of any sudden yen depreciation through credible policies, and it seems the Bank has convinced the Takaichi administration of this. We continue to expect a rate rise in December and another around mid-2026. The timing will largely depend on exchange-rate developments, as economic fundamentals appear to be mature enough to warrant further tightening. Additionally, we believe that even after this expected hike, financial conditions are likely to remain accommodative.

**Fiscal expansion/easing refers to an increase in government spending and/or reduction in taxes to stimulate economic growth*



This week at a glance

Bond yields rose across the board following mixed US labour market data and indications from the Bank of Japan to hike interest rates. US and European stocks were close to their all-time highs. In commodities, oil prices rose. Geopolitical risks were at the forefront amid diminishing prospects of a peace deal between Russia and Ukraine, and continued tensions between the US and Venezuela.



Source: Bloomberg, data as of 5 December 2025, 5 PM (CET).
Please refer to the last page for additional information on the indices.

Government bond yields

2 and 10-year government bond yields, and 1-week change

	2YR	10YR
US	3.55 ▲	4.13 ▲
Germany	2.09 ▲	2.79 ▲
France	2.31 ▲	3.52 ▲
Italy	2.23 ▲	3.48 ▲
UK	3.78 ▲	4.47 ▲
Japan	1.04 ▲	1.94 ▲

Source: Bloomberg, data as of 5 December 2025, 5 PM (CET).
Please refer to the last page for additional information on the indices. Trend represented refers to 1-week changes. Please refer to the last page for additional information.

Commodities, FX and short-term rates, levels and weekly changes

Gold USD/oz	Crude Oil USD/barrel	EUR/USD	USD/JPY	GBP/USD	USD/RMB	Euribor 3M	T-Bill 3M
4247.36	60.37	1.17	155.22	1.33	7.07	2.08	3.61
+0.2%	+3.1%	+0.5%	-0.6%	+0.8%	-0.1%		

Source: Bloomberg, data as of 5 December 2025, 5 PM (CET).
Please refer to the last page for additional information on the indices.

Amundi Investment Institute Macro Focus

Americas



US labour market is softening

Initial jobless claims for the week ended 29 November came in at 191,000, a level below market expectations. Yet, the pace of job creation has significantly slowed, and unemployment duration has lengthened, indicating that it's increasingly difficult for workers to find a job. Additionally, separate private data showed employers actually cut jobs in November. We think labour market in aggregate is softening but we are seeing mixed signals.

Europe



ECB's flash CPI estimate is above expectations

The ECB's preliminary estimate for eurozone CPI came in at 2.2% (yoy) for November, slightly above market expectations. The stickiness remains in the services sector, which is an important part the ECB monitors. We think the Bank may use this as a rationale to wait until December and then cut rates later next year. This will be in line with our rate cut projections. Additionally, the ECB to downgrade its inflation forecasts due to multiple reasons (ie, ETS2 delays and wage trackers pointing downwards).

Asia



RBI reduced interest rates in December

The Reserve Bank of India cut its main policy rate by 25 basis points as expected in December, due to easing inflation this year. Additionally, the bank lowered its projections for headline inflation for the financial year 2025-26. Looking ahead, we expect inflation to remain around the middle of the RBI's target range for 2026. At the same time, although economic growth will remain robust in the coming quarters, we are seeing some signs of divergence between GDP data and other leading indicators.

NOTES

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Equity and bond markets (chart)

Source: Bloomberg. Markets are represented by the following indices: World Equities = MSCI AC World Index (USD) United States = S&P 500 (USD), Europe = Europe Stoxx 600 (EUR), Japan = TOPIX (YEN), Emerging Markets = MSCI Emerging (USD), Global Aggregate = Bloomberg Global Aggregate USD Euro Aggregate = Bloomberg Euro Aggregate (EUR), Emerging = JPM EMBI Global Diversified (USD).

All indices are calculated on spot prices and are gross of fees and taxation.

Government bond yields (table), Commodities, FX and short-term rates.

Source: Bloomberg, data as of **5 December 2025, 5 PM (CET)**. The chart shows earnings growth for the S&P 500 stocks, the Magnificent 7 group, and the remaining S&P 493 stocks.

¹Diversification does not guarantee a profit or protect against a loss.

GLOSSARY

BOJ: Bank of Japan

ECB: European Central Bank

RBI: Reserve Bank of India

PM: Prime Minister

CPI: Consumer Price Index

YOY: year-on-year

GDP: Gross Domestic Product

ETS2: EU Emissions Trading System 2

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