



# Interest Rates Update

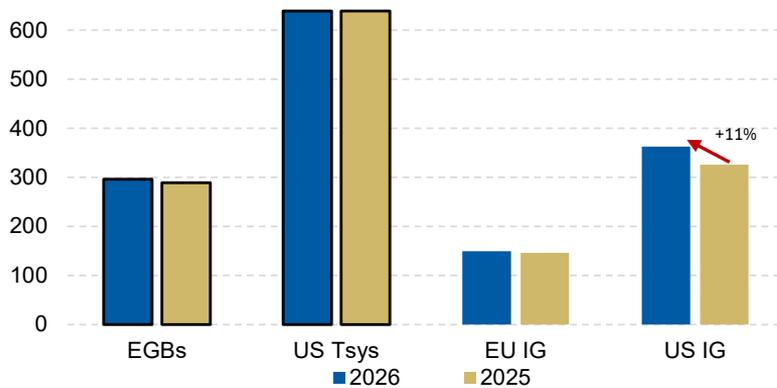
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# Q1 supply update: Demand for EGBs remains strong

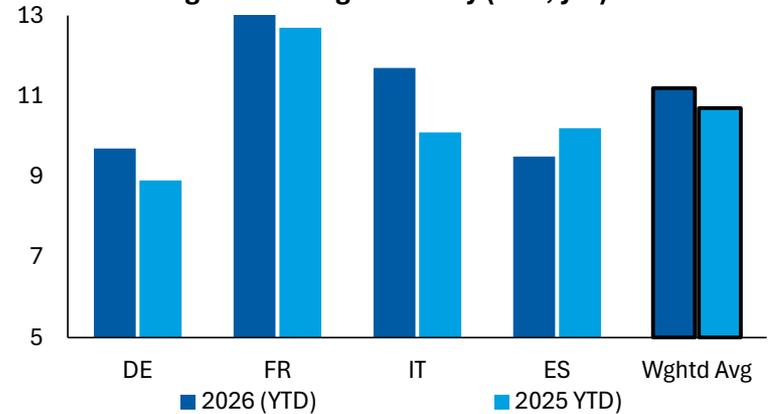
## Increase in supply mainly driven by US IG

Gross Issuance YTD (bn respective currency)



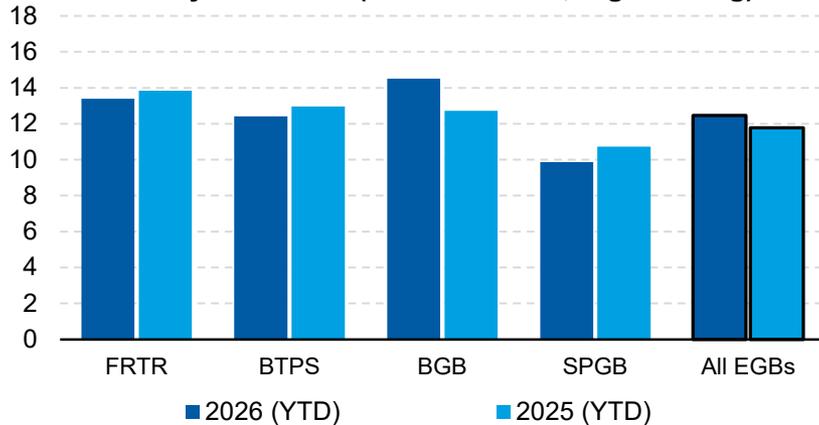
## EGB issuers have favoured longer end

Weighted average Maturity (YTD, yrs)

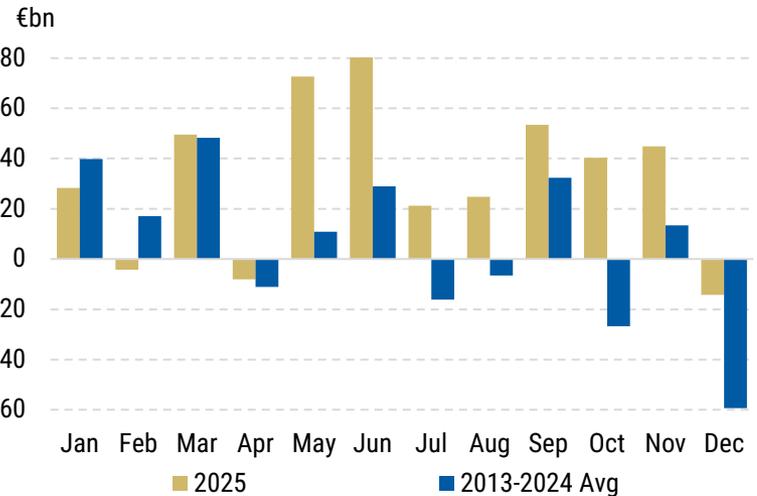


## On robust duration demand, similar to 2025

EGB Syndications (Book to Cover, Wgtd Avg)

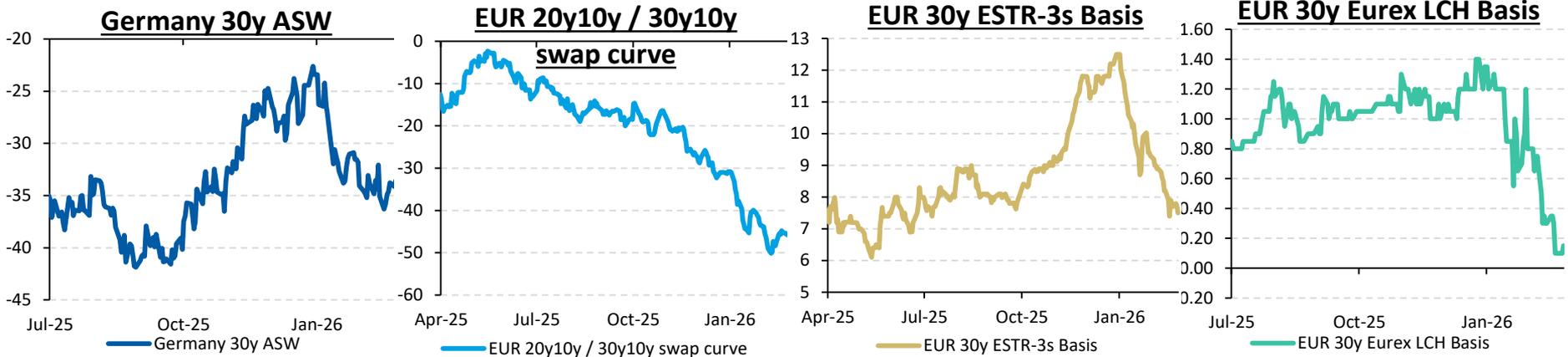


## Inflows in European FI high since April 25

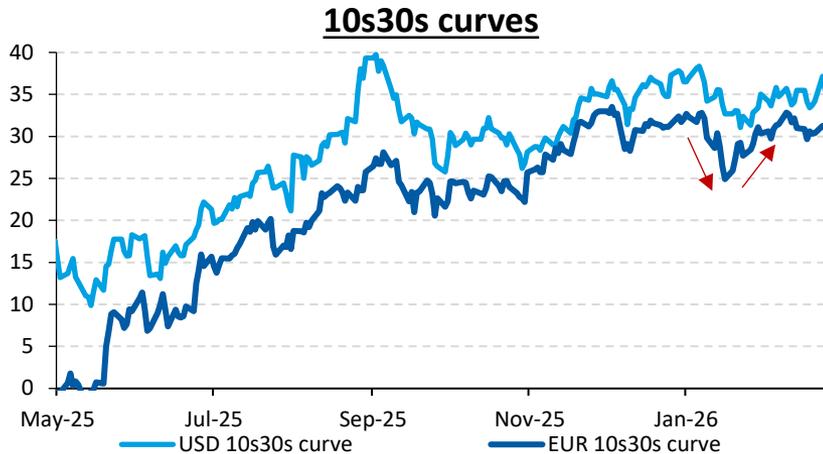


# Dutch PF transition trades have come under pressure

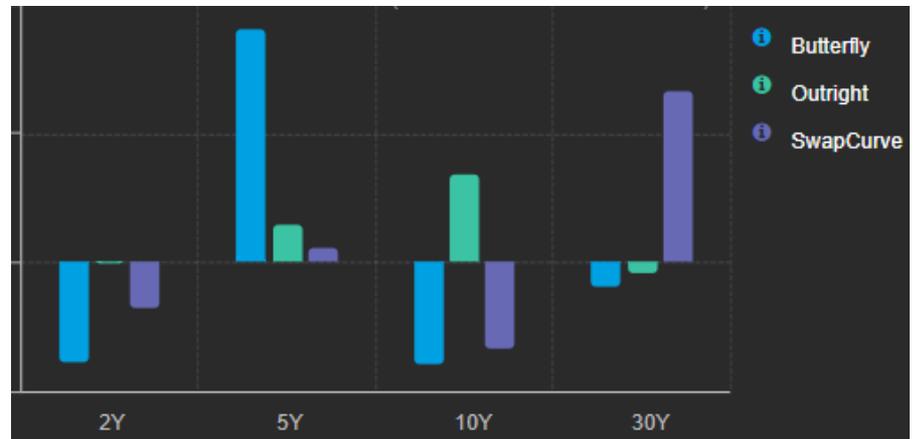
Key trades to position for Dutch PF reform have struggled since start of the year



## EUR 10s30s has rebounded however



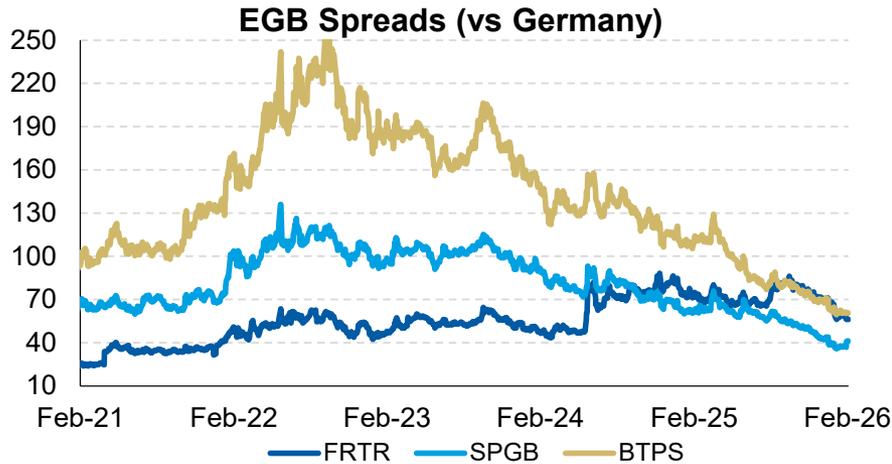
## Flows skewed towards 10s30s steepeners



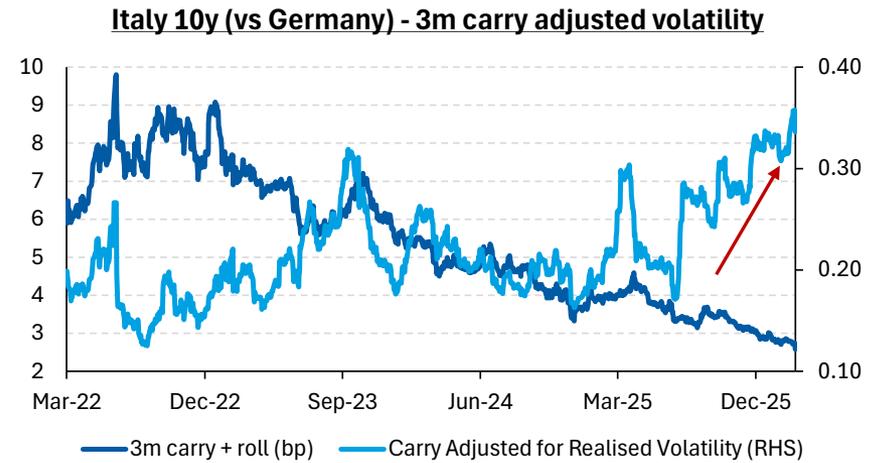
(Flows seen by MS in EUR swaps from Asset Managers and Hedge Funds in past 3mths)

# EGB spreads have performed well, in pursuit of carry

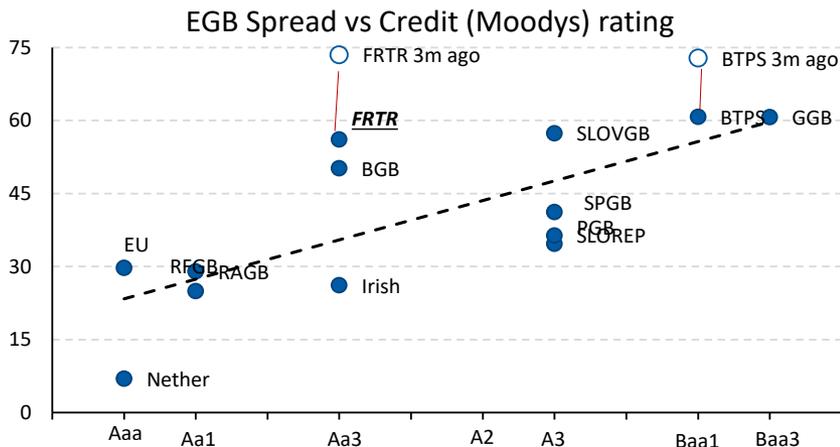
EGB spreads have continued to tighten



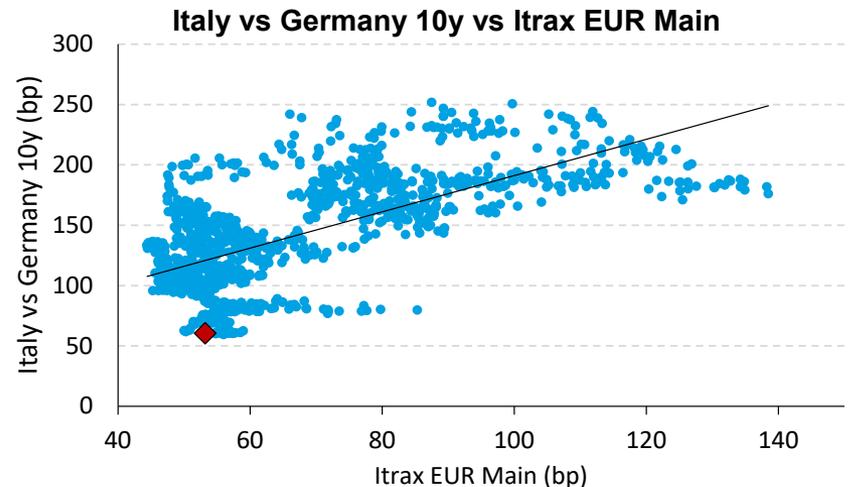
As carry is high, adjusted for volatility



Relative value among EGBs has fallen too

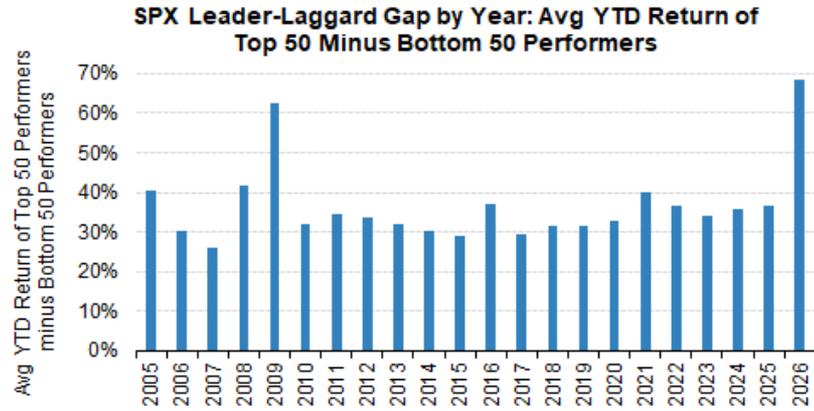


EGBs tight vs Corporate spreads now



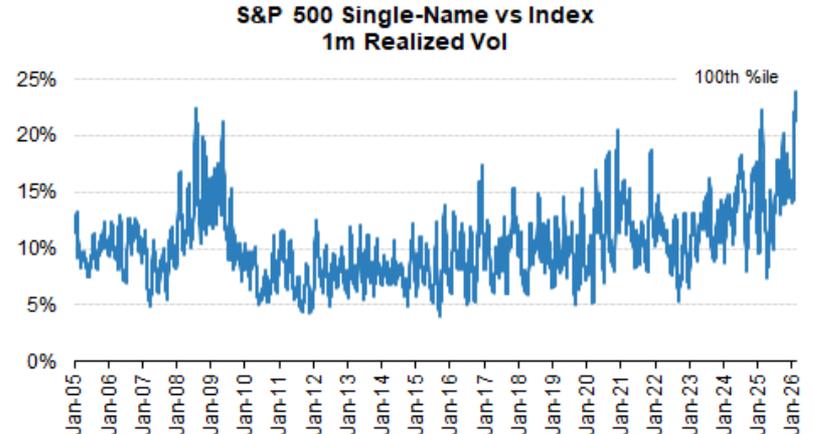
# Markets calm on aggregate level, but sharp dispersions building under the hood

## S&P 500 winners vs losers gap at 20y highs



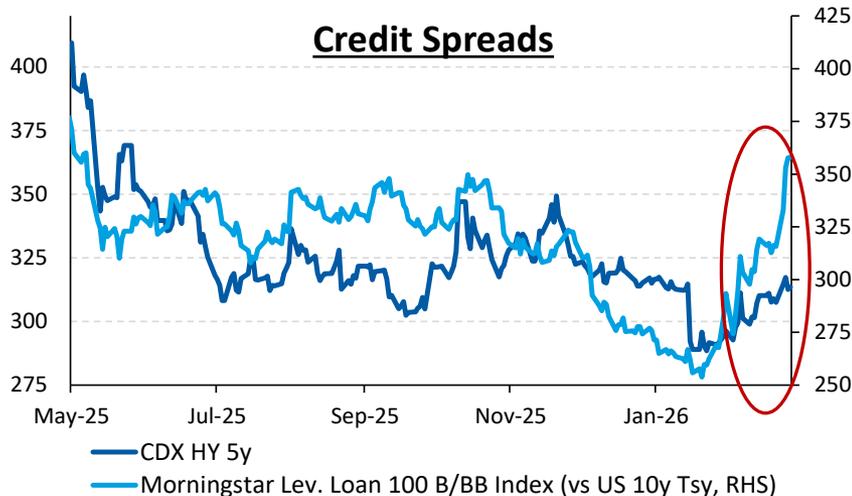
Note: YTD returns through Feb historically. 2026 through 2/24/26.  
Source: Morgan Stanley QDS

## Vol in single names at extreme vs index



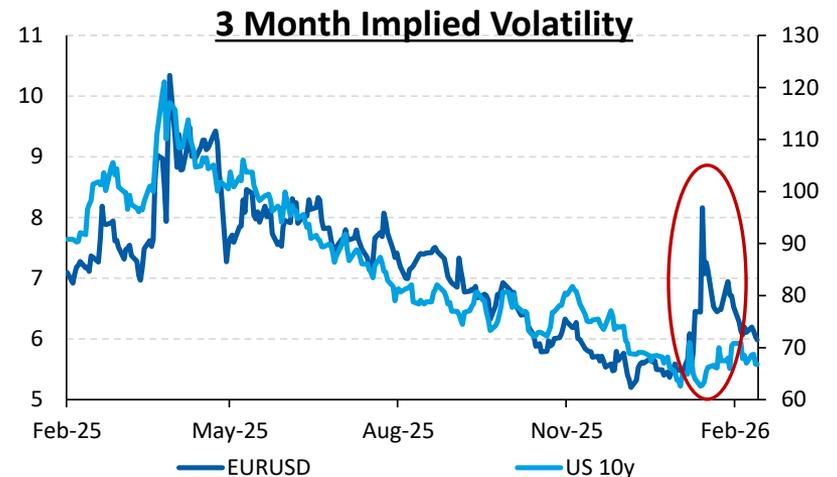
Source: Morgan Stanley QDS

## Tech-linked credit hit, CDX remains stable



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## Dispersion in FX & Rate vols also showing up



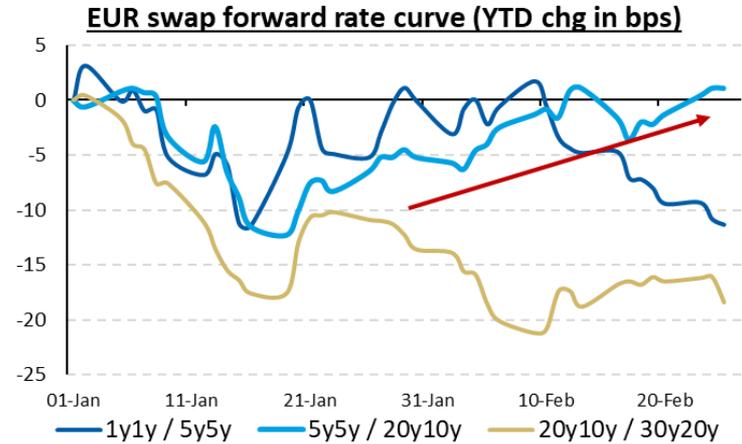
Source: Bloomberg, MS Rates Sales & Trading

## Within rates too, risk premium building up unevenly

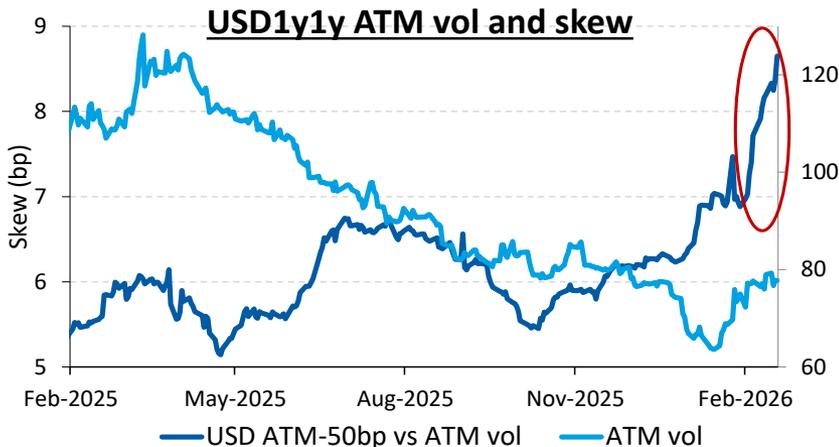
US 5y now pricing in more caution, even as cut expectations changed



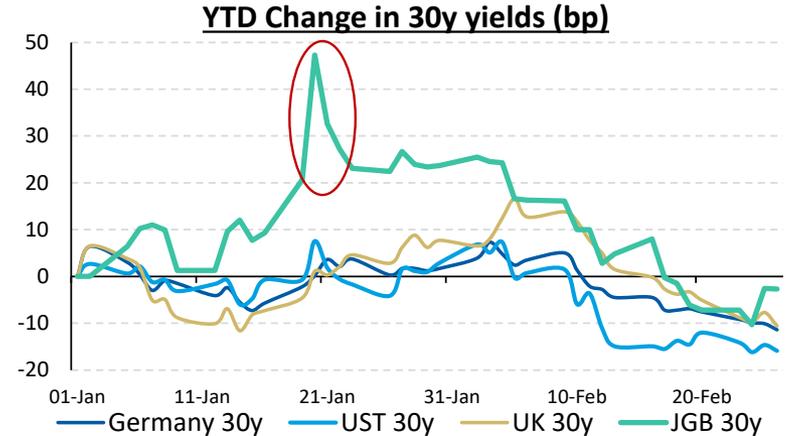
EUR 30y retains risk premium selectively, while front and ultra-long outperform



ATM vol low, but hedging sharp rally expensive



Long end sell-off was isolated in JGBs



## Group Discussion

- Is this the beginning of a broader repricing in credit markets?
- Are carry trades too stretched?
- Is the dispersion we are seeing a pre-cursor for broader market volatility?

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