

GLOBAL RATES TRADER

Return of the Macro

With December FOMC now closer to fully pricing a 25bp cut, we think the market will increasingly focus on the pricing of subsequent meetings. Division on the committee is restraining more dovish pricing, but with a large amount of labor market data due before the January meeting we think too little is priced in Q1. Vol carry has been a successful strategy this year, but we increasingly look to long vol hedges against carry positions. The UK budget did not deliver a decisive macro or fiscal outcome for Gilts, but the reduction in near-term uncertainty was enough to compress elevated risk premium. We continue to recommend long Gilts vs Bunds and swaps as focus returns to the macro data. We expect limited yield impact from near-term geopolitical news, but would look to add 6m2y EUR receiver hedges against our bearish baseline for Bunds. AUD and NZD rates jumped this week but for different reasons—the RBNZ are now closer to ending their cutting cycle, while AUD inflation surprised to the upside. Zooming out, given the structural similarities between the economies we expect eventual convergence in the near-record wide rate spreads: go long AUD vs NZD 5y5y.

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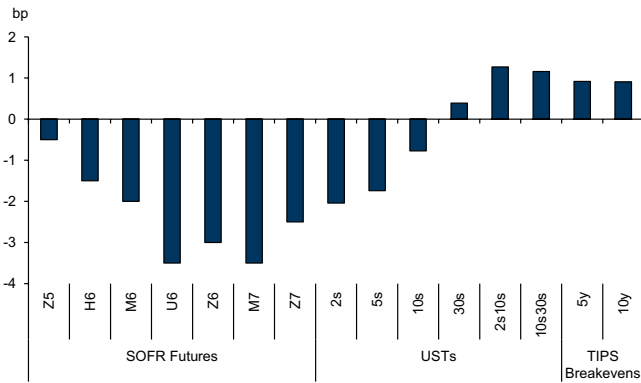
- **Front-end pricing not too rich, unlike belly rates.** Somewhat softer activity data this week pushed the market incrementally further towards pricing a December cut. With three months of payrolls data to be released before the January FOMC meeting—which has just 27bp of cumulative cuts priced—we continue to see greater asymmetry for the front-end to pull forward cuts given the trend in labor market slack measures. However, division amongst FOMC members will remain an important constraint to front-loading cuts without a push from the labor market and appears set to remain a key consideration next year following the change in Fed leadership. This week's news that Kevin Hasset appears to be the leading candidate for Fed Chair gave a glimpse of the market's assessment of a dovish appointment. The intraday price action following the news saw front-end rates rallied modestly alongside slight curve steepening, and modest widening in belly inflation breakevens (Exhibit 1), although the magnitudes of the moves were small—potentially reflecting the perceived restraint from the division of the FOMC. Still, confirmation of such an appointment could see these moves extend further, and we think the skew of labor market risks continues to favor steepening exposures, both in the front end

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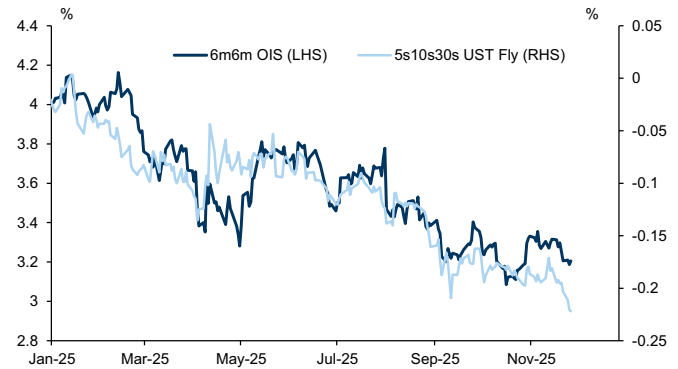
(SFRZ6/Z7) as well as further out the curve (conditional bull steepeners in 2s10s). 10y rates have outperformed on the curve recently ([Exhibit 2](#)), some of which may be attributable to growth concerns and risk sentiment wobbles. We think this leaves belly forwards (e.g. 5y5y) vulnerable to either outright cheapening on signs of reacceleration, or underperformance on a sharper growth deterioration.

Exhibit 1: News of a potential dovish Fed chair appointment brought steepening pressure and wider breakevens, but the magnitude of the moves was modest
 Intraday price action 25 Nov, 11:59am to 12:10pm around news article regarding Kevin Hassett as leading Fed chair candidate (published at noon)



Source: Goldman Sachs Global Investment Research

Exhibit 2: 10y rates have outperformed on growth concerns and risk sentiment wobbles, leaving belly forwards (e.g. 5y5y) vulnerable to cheapening



Source: Goldman Sachs Global Investment Research

- Leverage ratio amendment finalized but near-term challenges to funding markets remain.** Earlier this week the US banking regulators voted to approve a final rule amending the supplementary leverage ratio (SLR), set to become applicable on April 1, 2026, with an early adoption option beginning January 1. As our banks analysts [highlighted](#), most of the changes in the final rule are broadly similar to what was proposed in July, and they expect these changes would increase bank balance sheet capacity by up to \$5.6tn—although as we previously [noted](#), other constraints such as system-wide liquidity will likely limit how much balance sheet ends up deployed into Treasury and repo markets. Despite this news being already well-priced, in theory the actual implementation should allow for some additional relief to the spot funding picture, although we think the impact on swap spreads should be limited given spreads already appear to largely incorporate a [forward-looking assessment](#) on funding. With spreads generally within 5bp of the February highs (when expectations for deregulation were highest), we think the room to run meaningfully further is limited for now. In the near-term, spot funding conditions remain a challenge; over Friday and Monday, there will be a cumulative \$138bn of net Treasury settlement (\$52bn of bills and coupons on Friday and \$84bn of coupons on Monday)—the largest two-day settlement since end-September, although Treasury payments over these days should dampen the extent of overall boost to TGA somewhat. Nonetheless, with sizeable cash swings occurring at a time when system liquidity is already showing signs of strain, we think the effectiveness of the Fed’s backstop (such as the SRF) will be closely watched ahead of the December FOMC meeting.

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- **Policy uncertainty challenges the durability of the low-volatility regime for next year.** The resumption of the data release cycle has supported continued richening in implied vols as risks around the macro and policy outlook become more two-sided. Looking beyond the very near-term, our baseline of some growth reacceleration in 1H2026 and continued normalization cuts looks consistent with the low-vol regime sustaining. However, a range of risks argue for some potential limits to much further vol compression, or at a minimum less compelling risk/reward for outright vol shorts. As we discussed earlier this week, beyond the obvious risk of labor market weakness upending the low-vol cycle, the potential for a more divided FOMC next year could pose a challenge to the market's conviction on the compressed right tail around belly rates. Fiscal policy uncertainty also poses a source of risk particularly for implied vol on longer term rates. As such, we see an increasing case for diversification into other forms of carry, overlaying with long vol hedges, and using compressed vol valuations to express directional views.
- **Spillovers stabilize CAD rates.** After the BoC characterized rates as at “about the right level” at the October meeting, CAD yields drifted higher thanks to stronger labor market and inflation data. That has unwound somewhat of late, however, thanks in part to spillovers from the repricing of the US curve. While our baseline remains that the BoC is done cutting, we continue to see risks skewed towards lower rates. Next week's labor market release carries the potential to reemphasize these risks given the trend in slack measures in the US and consensus expectation that the report may show an increase in the unemployment rate. And with three more NFP prints in the US before the January BoC meeting, we think labor market concerns—both in US and domestically in Canada—will remain in focus; stay long CORU6.

Europe

- **UK budget reduces near-term uncertainty, macro now the driver for lower yields.** The long-awaited UK budget built up a slightly larger headroom buffer than expected at £22bn, but with new consolidation measures largely backloaded, the borrowing path was revised around £9bn higher than previously forecasted. Ahead of the budget, we outlined three dimensions to gauge the market impact — near-term supply, macro impact, and credibility. Near-term supply offered the biggest positive surprise, with limited increase in Gilt issuance for the current fiscal year, and additionally another substantial squeeze on long-end supply (more below). This drove a substantial compression in 30y Gilt risk premium — something we expect to continue. The macro impact of the budget was a little more backloaded than we expected, although our economists do not expect a major impact on upcoming BoE decisions. Finally, the credibility of the new consolidation measures remains an ongoing risk for the Gilt market, although the relief rally in Gilts on budget day points to both an elevated risk premium in Gilts into the event as well as a near-term reduction in uncertainty that should refocus the market back to macro data. We think that ongoing disinflation and weakness in labour market data points towards lower yields across the Gilt curve — we continue to recommend long 10y Gilts vs Bunds and vs OIS. That said, the backloaded nature of the fiscal consolidation does not increase the urgency for BoE cuts, which suggests more

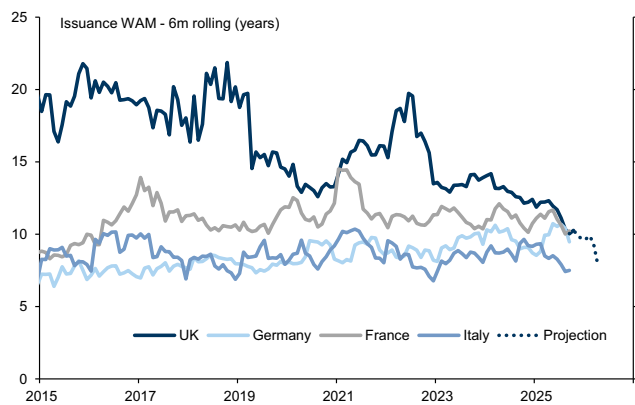
two-sided risks to front-end yields from upcoming activity and inflation data.

- 30y Gilts becoming scarcer, WAM reduction continues.** Although the Gilt relief rally was underway by the time of the DMO’s remit release, the ongoing shift away from long-end Gilt issuance and limited overall increase to Gilt supply for FY2025 spurred the compression in risk premium — and almost 20bp rally — in long-end Gilts. This should continue to support the market through Q1 2026. The DMO also announced a consultation on ‘expanding and deepening’ the Bills market, a strong hint that the reduction in Gilt WAM will continue (Exhibit 3). As we have written previously, optimal issuance models suggest a reduction of WAM makes sense in an environment where long-end yields remain well above long-run averages or forward-looking expectations for equilibrium rates. It is this condition, rather than simply the presence of a steep curve, that argues for a WAM reduction given that the trade-off from higher bill share is more funding volatility and thus less visibility in budgetary planning. Relatedly, we note that it is precisely the sharp increase in interest costs in 2021-2022 associated with inflation-linked debt that reduced appetite for the DMO (and other issuers) to issue linkers. That said, the Bill share of the UK market is particularly low on a cross-country basis which suggests plenty of scope to increase bill issuance in future — as an illustration, moving to the G10 average bill share would imply an additional £160bn of UK Bills (Exhibit 4).

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Exhibit 3: The reduction in the issuance WAM of Gilts continues

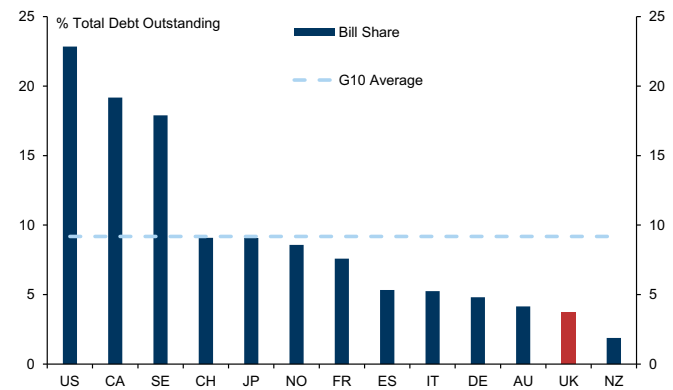
Weighted average maturity at issuance (6m rolling)



Source: Goldman Sachs Global Investment Research, Bloomberg

Exhibit 4: The share of UK Treasury Bills is among the lowest across the G10

Bills, share of total debt outstanding



Source: Goldman Sachs Global Investment Research, Bloomberg

- Russia-Ukraine ceasefire speculation ambiguous for European rates.** Over the last week or so, market focus has again increased on the prospect of a ceasefire between Russia and Ukraine. Earlier in the year, our economists had laid out a framework to think through the macro implications of such a scenario for the Euro area arguing that the most likely outcome was a negative impulse on headline inflation and positive impulse to growth via lower energy prices. While TTF gas prices traded 3% lower earlier in the week, our commodities strategists are now more sceptical about the resumption of gas flows from Russia in the near-to-medium term. We think this suggests a contained reaction in European rates, but with the potential for a further reduction in near-term inflation, and the possibility for a reduction in risk premium in the event of a cessation of conflict, we think this points

to steepening risk for 2s5s or 2s10s. That being said, we continue to think the accumulation of data on German fiscal support, and the strength of headwinds from the global trade environment will prove a better guide to price action in rates into 2026.

- **Limited prospects of further EUR vol compression; add June receivers to hedge Bund shorts.** EUR implied vol in short maturities and expiries has stabilised, following the decline since the peak of the hiking cycle. This decline tracked the fall in macro uncertainty and realized volatility, justifying the moves. And we recently showed that valuation arguments for owning vol are not sufficient, given that volatility typically trades in regimes rather than reverting to historical averages. That being said, with vol now at levels not seen outside the zero-lower bound period, we see little prospects of further vol compression. A shift in policy expectations in either direction would likely lead to a modest pickup in volatility, and spillovers from a repricing of the US macro-outlook also provides a floor under EUR vol. And while our base case remains that the ECB will remain on hold and that EU cyclical conditions will drive core rates higher over time, recent focus on disinflation — including from Chinese export competition — suggests risks to the 2026 ECB path. We see current levels of low implied vol as attractive and see value in receivers focused around mid-2026 pricing to hedge core EUR rates shorts.
- **OATs not out of the woods.** Risks around a successful budget compromise over the 2026 budget have increased over the last couple of weeks. This is because — so far — the concessions necessary to fend off the risk of a no-confidence vote from the center-left, have not been deemed acceptable by all of President Macron's allies, and by the center-right party LR. Upcoming votes on December 12th and 23rd, for the social security and main budget respectively, point to a limited timeframe to make progress, and raise the risk that PM Lecornu may have to resort to a special law to roll some of the provisions of the 2025 budget. This would then point to fresh negotiations for a formal 2026 budget in Q1, a repeat of the process in 2025. We have argued that the main risk for OATs was that of new parliamentary elections and that risk is contained at the moment in our view. However, a drawn-out budgetary process may still hinder the compression in idiosyncratic risk pricing, by extending uncertainty on final deficit outcomes. To reflect this and mark-to-market our spread targets elsewhere, we now forecast 10y OAT-Bund, BTP-Bund, and Bonos Bund at 75bp, 70bp and 50bp respectively at year-end (against 70bp, 80bp and 60bp before). We remain confident that sovereign credit as a risk factor will continue to trade well next year, even as we see risks tilted towards a slight widening. To reflect that view, as well as an eventual reduction of idiosyncratic risk in France, we now project forecast 10y OAT-Bund, BTP-Bund, and Bonos Bund at 70bp, 75bp and 55bp by end-26 (against 70bp, 80bp and 60bp before).

Australia and New Zealand

- **Hawkish week for the Antipodeans, but for different reasons.** Both Australia and New Zealand faced hawkish rate surprises this week, but with contrasting drivers. In Australia, the upside surprise was predominantly driven by inflation as the October monthly CPI showed a reacceleration in trimmed-mean inflation to above the RBA's

target band. In NZ, meanwhile, the RBNZ's softened easing bias after the 25bp cut and a surge in Q3 retail sales were the catalysts. Following the latter our economists no longer expect the RBNZ to cut further, and front-end pricing is also consistent with both central banks remaining on hold through 1H2026. The divergence is clearer further out the curve, with the NZD curve meaningfully steeper through to the belly, reflecting the lower starting point for the policy rate and a longer path towards normalization. Even so, as we have [previously highlighted](#), the differential in forward rates between the two structurally similar economies remains near record wides, and with the cyclical recovery in NZ more visibly being helped by accommodative policy settings, we think there is scope for forward rate convergence over the coming year. We recommend receiving AUD 5y5y swap rates vs pay NZD 5y5y (entry: 0.47%; target: 0.15%; stop: 0.65%).

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Summary of Views

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	Core Views	Recommendation	Entry Date
Duration	The start of what is likely a series of relatively market-consistent Fed cuts should see duration remaining range-bound. Front-end rates still embed modest downside risks which we view as reasonable, while meaningfully lower yields across the curve will likely require further growth weakness.	--	--
	We expect European duration to trade weaker over time with our updated end-25 10y Bund yield forecast sitting at 3.0% (and 3.25% at end-2026). This is because we believe the front-loaded fiscal boost out of Germany will push yields higher on improving growth expectations, and compensation for increasing bond supply.	--	--
	Persistent inflation has decelerated the pace of BoE easing and we nudged higher our 10y Gilt forecast for YE25 to 4.4%. But the activity slowdown should still cause Bank Rate to fall eventually to 3%, below market pricing, and we still expect Gilt yields to fall over time.	<i>Long 10y Gilts vs Bunds</i>	7-Nov-25
	We expect the BOJ normalization cycle to be prolonged, with a medium-term neutral rate of 1.25-1.5%. This should lift yields across the curve, although in the near-term rising US recession risk presents a headwind to this view. Reduction in BOJ's JGB holdings should put most upward pressure on belly yields, while conviction on BOJ hikes should dampen long-end risk premia.	--	--
	BoC cut pricing has converged towards our economists forecasts, but potential for earlier cuts and spillovers from the US leave some (albeit more limited) room for pricing to build from here	<i>Long CORU6</i>	31-Oct-25
	Reemerging tariff - and thus, growth - concerns bias yields lower in the near term, as Riksbank is likely to ease further to contain labour market risks. Higher defence spending and hence, issuance, however biases duration higher further out and points to continuing steepening in the SEK curve.	--	--
Curve	Upside inflation pressure in Australia should keep the RBA on the sidelines at an elevated rate level, while a more clearly accommodative stance from the RBNZ is starting to drive a cyclical recovery in NZ. We see scope for eventual convergence in the near-record wide rate spreads given the structural similarities between the economies.	<i>Receive AUD 5y5y vs pay NZD 5y5y IRS</i>	28-Nov-25
	The path to substantially lower yields by and large rests on hard data deteriorating, while resolution of uncertainty could see the belly underperform either on cuts being front-loaded, or on downside risks priced into terminal rates abating. We think it makes sense to navigate the data calendar tactically, recognizing that hard data can open the left tail towards faster/larger cuts, which we think would sustain sharper front-end outperformance. 20s appear to still be embedding elevated term premium and vol risks, with room for relaxation on both fronts.	<i>Long 20s on 10s20s30s weighted SOFR fly (weights 0.6x : 2x : 1.4x)</i> <i>SFRZ6Z7 steepeners</i> <i>Long 3m2y A-25 receiver vs sell 3m10y A-25 receiver</i>	1-Aug-25 21-Nov-25 7-Nov-25
	As the ECB suggests a more benign reading of tariff risks from here, pouring cold water on the prospects of cuts in 2025, markets can look beyond the valley of near term growth weakness. Beyond, as above, we expect the fiscal boost from Germany to support a steeper curve from here, especially when combined with ECB QT. This is also true for Z5Z7 where our economists' forecasts for growth and inflation are consistent with additional hike risk premium.	--	--
	As markets have priced out almost all cut expectations for 2025, we see good risk-reward for renewed front-end longs, and we recommend 2s5s steepeners. This should also work in a scenario in which markets reassess terminal pricing higher, potentially due to persistent supply-side issues that cause elevated inflation in the medium-run, in which case we'd expect higher risk premia in the belly.	--	--
	We see less room for the SEK front-end to outperform in the near-term, as much easing is already priced. As long as the Norges Bank is holding onto their hawkish guidance the NOK curve has no room to steepen much, so we would await the eventual pivot towards growth before engaging again.	--	--
	We think there is room for 10s30s JPY curve to unwind some of the recent steepening as liquidity conditions normalize, while any discussion of continued BOJ QT could put further pressure on the belly of the JGB curve. We see asymmetry in front-end BOJ pricing, where the market has pulled forward expectations of a near-term adjustment that we view as somewhat overdone.	<i>Oct25/Jan26 JPY OIS Steepeners</i>	19-Sep-25
Spreads	The upcoming TGA rebuild post debt limit poses upside risk to funding spreads, but swap spreads appear to embed sufficient risk premia against this.	--	--
	We continue to be positive on sovereign credit going into the summer, given the resilience of the asset class in recent months and the possibility of portfolio flows into EGBs, but tight valuations and a smaller carry cushion make further sovereign spread compression more difficult. In light of the relative political calm and improved debt dynamics in Italy, we have upgraded our view on BTPs. In contrast, we think France remains the idiosyncratic story to watch, though we believe widening risk will be clearer in the fall when budget negotiations are in full swing.	--	--
	We expect continued Bund spreads tightening as ECB QT increases the Bund free-float and repo costs drift higher. Though constrained German issuance is a risk, we think it is manageable and unlikely to derail the tightening trend, especially as France and the EU continue to issue heavily.	--	--
	We think Gilts have priced sufficient risk premium for the budget event, and a somewhat contractionary and deflationary budget should give a green light for yields to move lower as expectations move towards further (and faster) BoE easing.	<i>Long 10y Gilts on ASW</i>	21-Nov-25
Vol	A relatively benign macro environment should be conducive for implied vols to reset lower, but trade uncertainty and tariff risks may act as an impediment to how far this reset can go, with increases in trade policy uncertainty generally corresponding to higher vol levels. Implied vols on 10y tails have lagged the rest of the tail curve in the April vol spike, driven by push-pull factors from deeper Fed cuts vs term premium reset.	<i>Long midcurve call spreads on SFRZ6 (0QZ5C 97.25/97.5)</i>	17-Oct-25
	Curtailed tail-risks have narrowed the range of outcomes for the EUR front end, and gamma has fallen substantially. Given the ongoing risks of tariff related growth scares, and the recent repricing, we view the outlook for gamma as more balanced. News about the German fiscal expansion, which we expect over summer, create near term event risks.	--	--
Money Market	We expect elevated coupon issuance to be absorbed in large part by levered investors, with the resulting leverage demand likely to pressure financing spreads wider. We expect funding conditions to improve early next year as TGA drains but see risks skewed to a more prolonged period of tightness before a Fed response.	--	--
	While high frequency measures still point to relatively abundant liquidity, we see the upward trend in overnight repo spreads to IOR as indicative of the system moving from abundant to ample. We expect the Fed to end QT in September; the debt limit presents a source of volatility through this process.	--	--
Inflation	Inflation forwards have compressed by more than justified by growth and policy reassessments. Relaxation about growth concerns could see belly forwards reprice higher, from already low valuation levels.	--	--
	With pricing in Europe already below the ECB's target out to the belly of the HICP curve, we see limited scope for a sell-off in inflation swap, although the recent stabilisation in energy prices may pose some modest pressure on breakevens. Instead, we think nominal rates will be pushed lower by the real component of rates, as markets price more ECB support to the economy through rate cuts.	--	--

Source: Goldman Sachs Global Investment Research

Forecasts

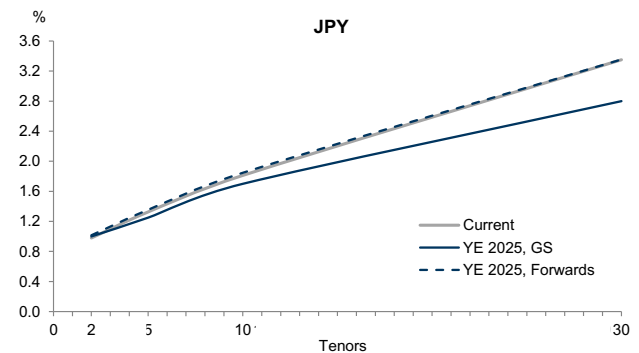
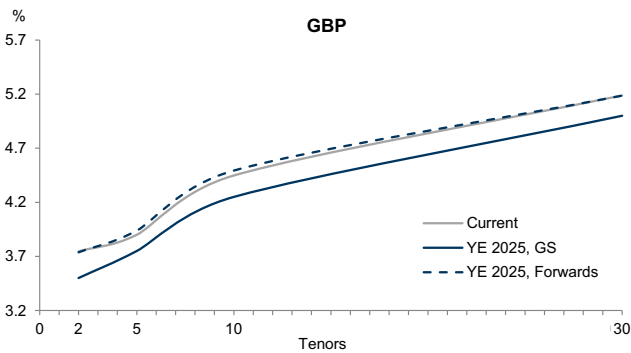
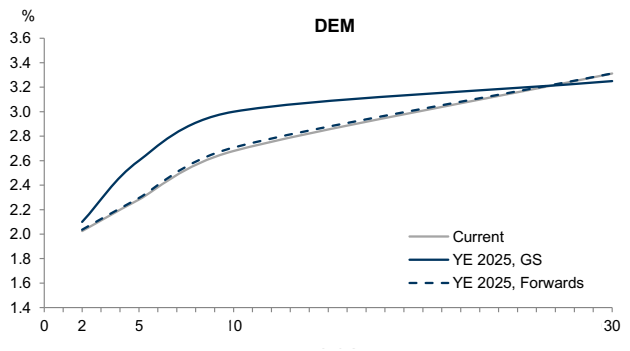
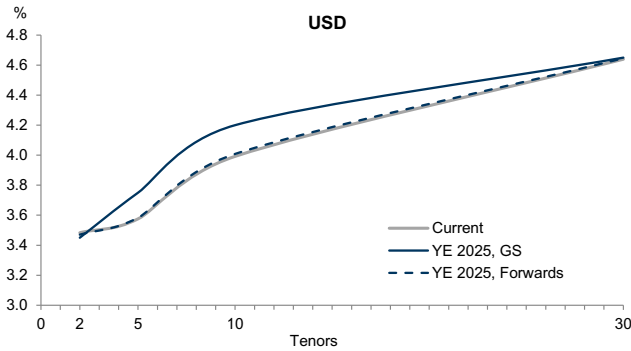
G10 10y yield forecast

G10 10-Year Yield Forecasts														
	USD	DEM	FRA	ITA	ESP	GBP	JPY	CAD	CHF	SEK	NOK	AUD	NZD	
Spot	3.99	2.68	3.40	3.40	3.16	4.45	1.81	3.12	0.18	2.78	4.07	4.51	4.25	
4Q25	4.20	3.00	3.75	3.70	3.50	4.25	1.70	3.30	0.50	2.80	3.75	4.20	4.20	
1Q26	4.20	3.00	3.75	3.70	3.50	4.15	1.75	3.35	0.50	2.90	3.75	4.20	4.25	
2Q26	4.20	3.10	3.80	3.80	3.65	4.10	1.80	3.35	0.55	3.15	3.75	4.20	4.25	
3Q26	4.20	3.15	3.85	3.90	3.70	4.00	1.85	3.40	0.70	3.20	3.75	4.25	4.30	
4Q26	4.20	3.25	3.95	4.00	3.80	4.00	1.90	3.40	0.75	3.25	3.75	4.25	4.30	
1Q27	4.25	3.20	3.95	4.10	3.80	4.00	1.95	3.45	0.80	3.25	3.75	4.30	4.35	
2Q27	4.25	3.15	3.90	4.05	3.75	4.00	2.00	3.45	0.80	3.25	3.75	4.30	4.35	
3Q27	4.25	3.10	3.85	4.00	3.70	4.00	2.00	3.50	0.85	3.25	3.75	4.35	4.40	

Deviation from Forwards														
	USD	DEM	FRA	ITA	ESP	GBP	JPY	CAD	CHF	SEK	NOK	AUD	NZD	
4Q25	0.17	0.28	0.32	0.26	0.31	-0.24	-0.15	0.13	0.32	0.03	-0.32	-0.33	-0.11	
1Q26	0.12	0.22	0.25	0.17	0.23	-0.43	-0.18	0.11	0.25	0.11	-0.32	-0.37	-0.19	
2Q26	0.08	0.28	0.24	0.21	0.32	-0.53	-0.19	0.08	0.28	0.32	-0.33	-0.41	-0.27	
3Q26	0.03	0.28	0.23	0.23	0.30	-0.69	-0.20	0.09	0.41	0.34	-0.33	-0.40	-0.29	
4Q26	-0.02	0.33	0.27	0.26	0.33	-0.74	-0.22	0.05	0.43	0.35	-0.34	-0.44	-0.37	

Source: Goldman Sachs Global Investment Research

G4 Curve Forecast

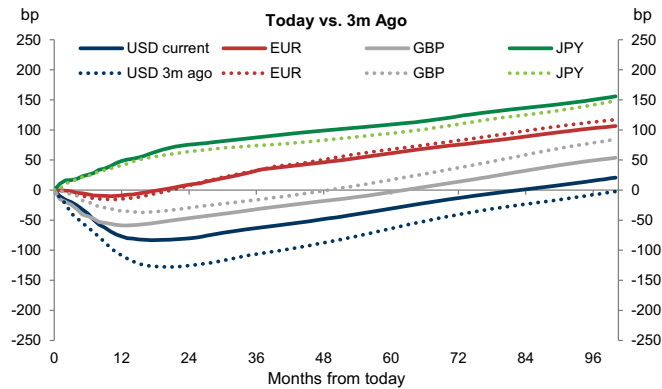


Source: Bloomberg, Goldman Sachs Global Investment Research

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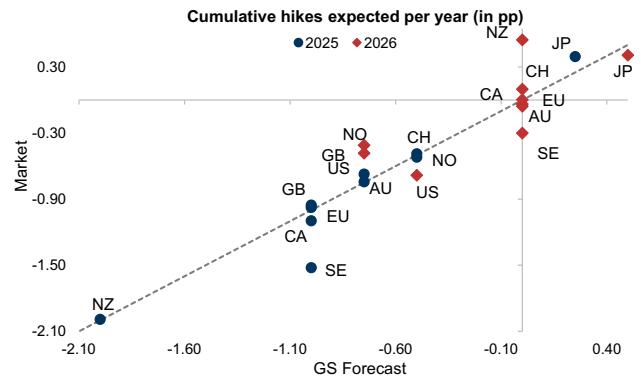
Central Bank Dashboard

Cumulative amount of hikes/cuts priced from today



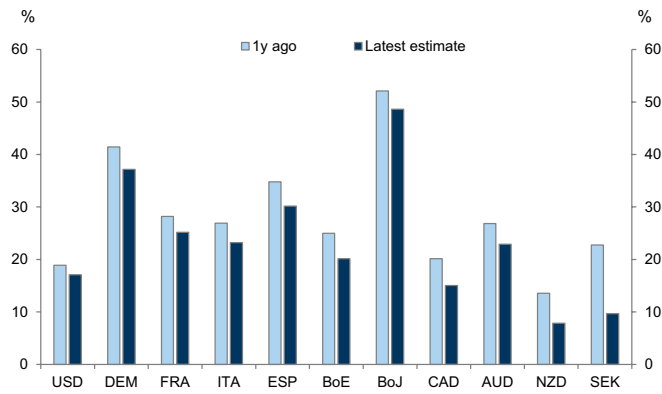
Source: Goldman Sachs Global Investment Research

Expected hikes by year, GS vs. Market



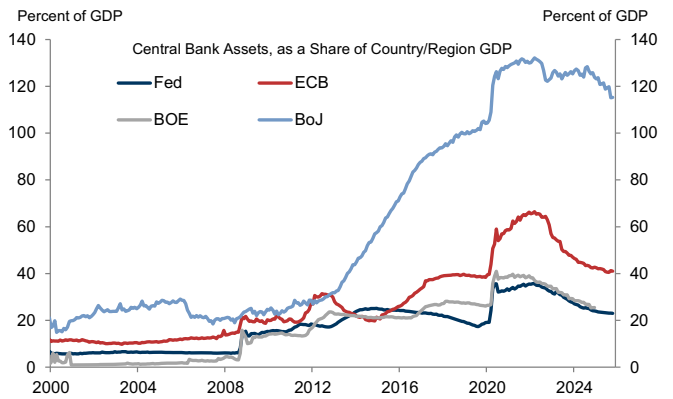
Source: Goldman Sachs Global Investment Research

Central bank ownership of sovereign bonds, current vs. 1y ago



Source: Haver Analytics

Central bank assets as a share of GDP

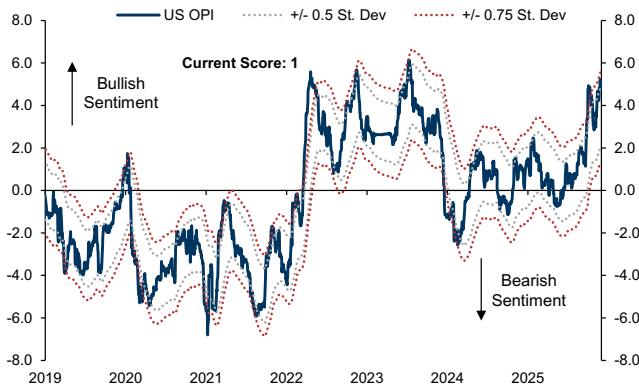


Source: Haver Analytics

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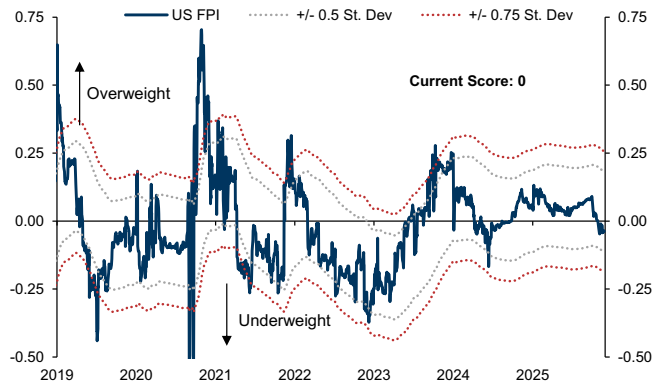
Positioning and Flows Monitor

Option implied position indicator



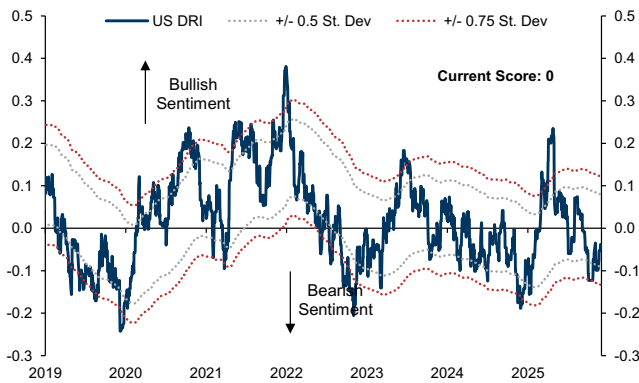
Source: Goldman Sachs Global Investment Research

GS Fund Positioning Indicator



Source: Goldman Sachs Global Investment Research

US Data Response Indicator (DRI)



Source: Goldman Sachs Global Investment Research

CFTC Commitment of Traders and Traders in Financial Futures

Duration-weighted net position by investor type

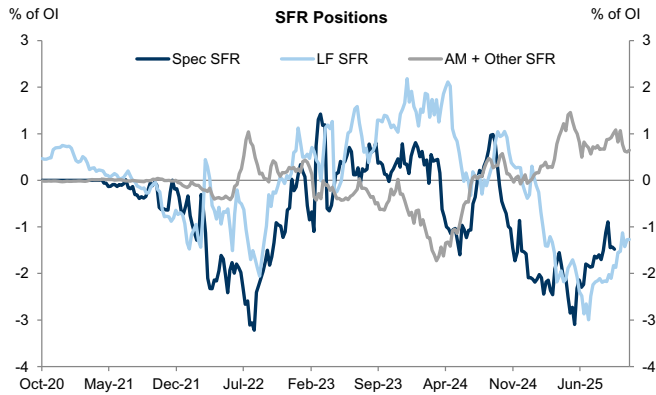
Duration-Weighted Positioning, by Contract

\$mm/bp	SFR	TU	FV	TY	TN	US	WN
Spec Current	-20.7	-41.6	-95.8	-48.0	-25.0	-4.8	-55.9
Spec 1w Change	-1.3	1.1	-0.9	2.0	2.1	2.2	-6.7
LF Current	-20.9	-72.0	-131.5	-150.9	-33.6	-48.4	-122.4
LF 1w Change	-0.5	0.1	1.8	1.1	4.7	5.6	-5.0
AM + Other Current	13.8	82.6	150.9	145.0	53.0	56.0	153.7
AM + Other 1w Change	0.8	1.9	-2.1	-1.8	-3.9	-6.5	10.5
Dealer Current	7.0	-14.8	-28.3	-3.9	-15.6	-26.8	-33.4
Dealer 1w Change	-0.3	-1.7	0.3	0.1	-2.2	2.4	-3.7

Source: CFTC, Goldman Sachs Global Investment Research

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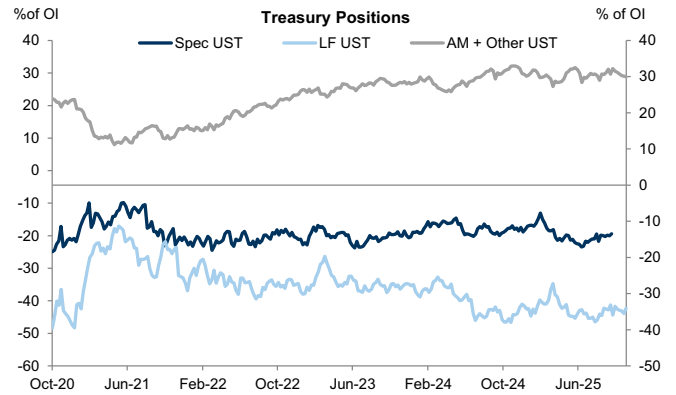
Net positions in Eurodollars



Note: Duration-weighted net position (long - short) as a % of duration-weighted gross exposure (long + short + spreading)

Source: CFTC, Goldman Sachs Global Investment Research

Net positions in UST futures

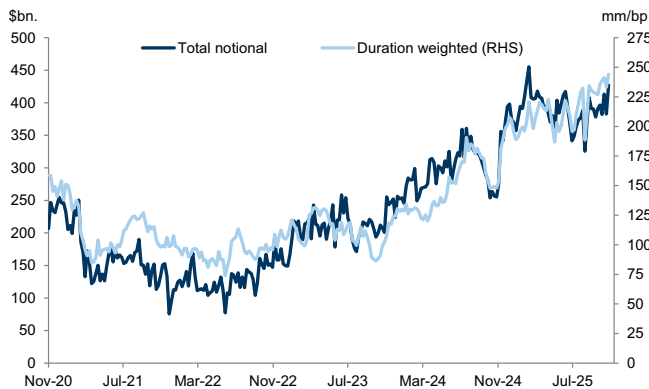


Note: Duration-weighted net position (long - short) as a % of duration-weighted gross exposure (long + short + spreading)

Source: CFTC, Goldman Sachs Global Investment Research

Primary dealer transactions

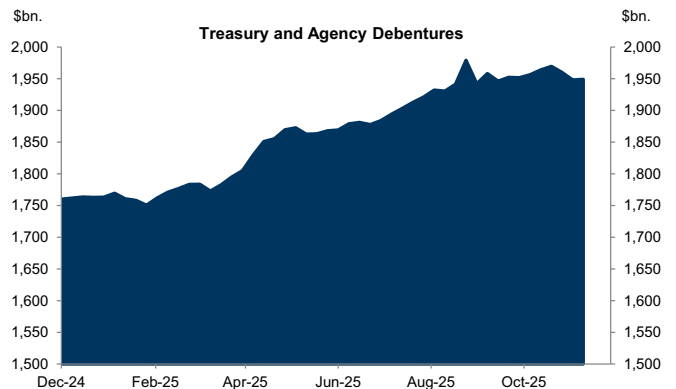
Net dealer position in US Treasuries



Source: Federal Reserve Bank of New York, Goldman Sachs Global Investment Research

US Commercial Banks' Holdings of Treasury and Agency Securities

Total domestic and foreign holdings, all commercial banks

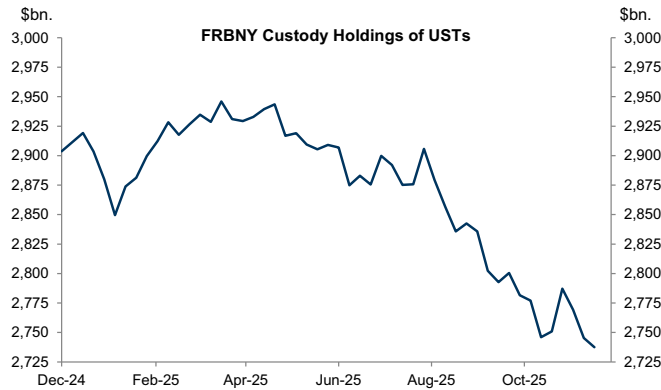


Source: Federal Reserve Board

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NY Fed Custody Holdings

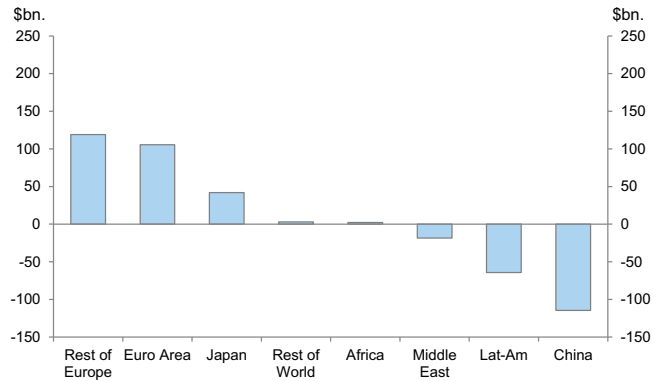
Marketable US Treasuries



Source: Federal Reserve Bank of New York

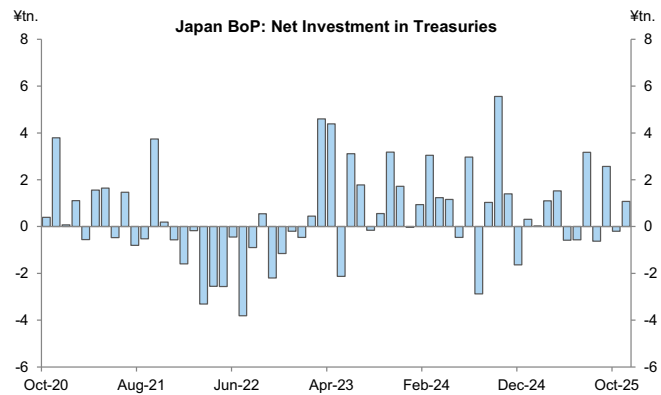
US TIC Treasury Flows

12m change in valuation-adjusted holdings of USTs, by holder of debt



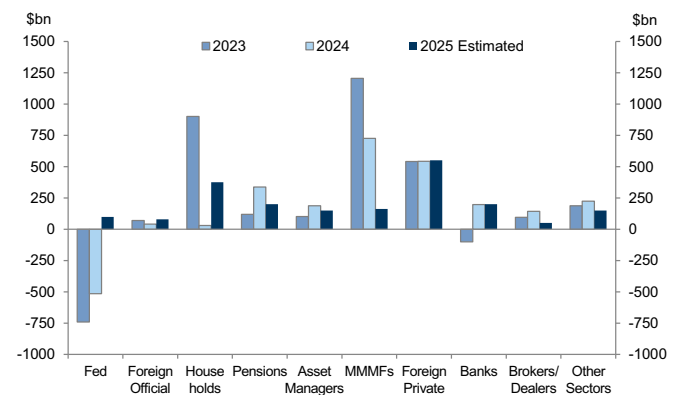
Source: US Treasury, Goldman Sachs Global Investment Research

Net monthly purchases of short- and long-term US Treasuries by Japanese investors



Source: Bank of Japan, Haver Analytics

Flow of Funds annual net purchases of US Treasuries, by sector



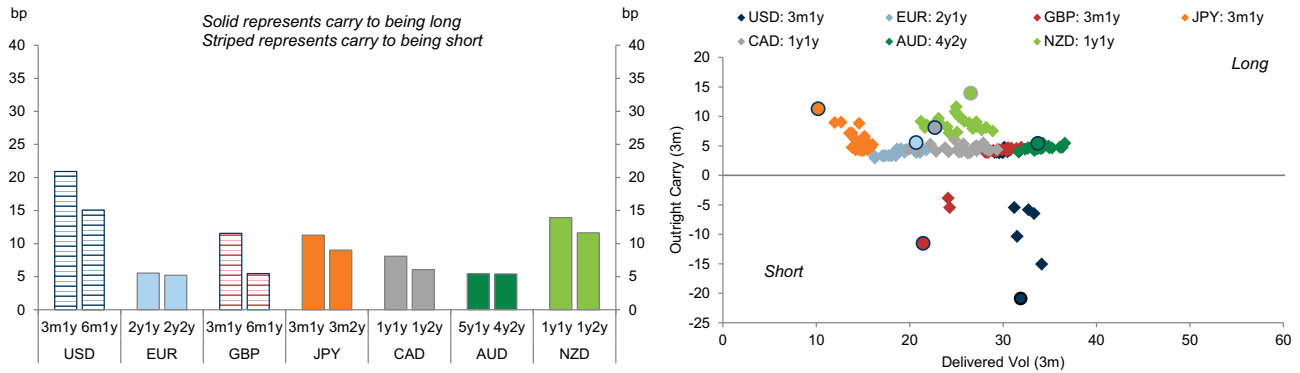
Source: Federal Reserve Board, Goldman Sachs Global Investment Research

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Carry/Rolldown Monitor

Outright Carry

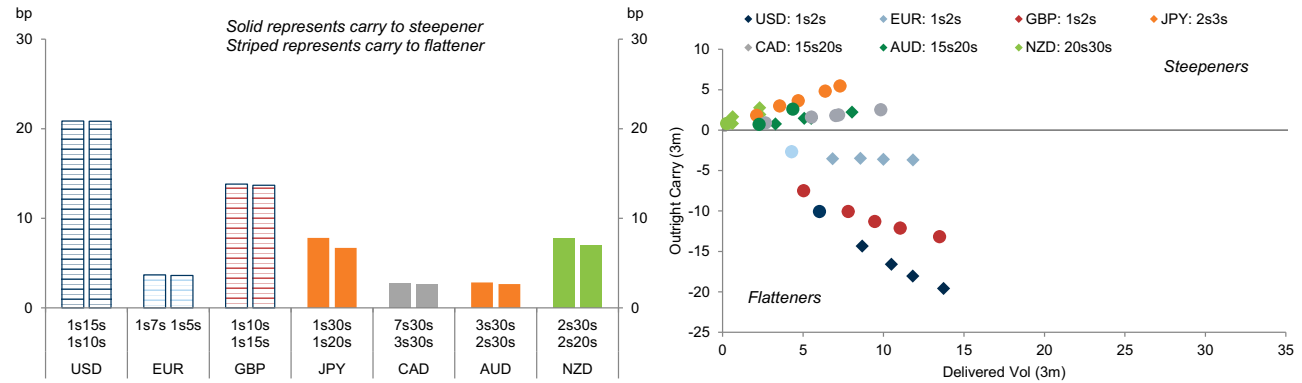
Bar chart shows top two carry points by currency, with solid reflecting carry to a long position and striped carry to a short position. Scatter illustrates top 25 carry/vol points by currency, with top point by currency noted



Source: Goldman Sachs Global Investment Research

Curve Carry

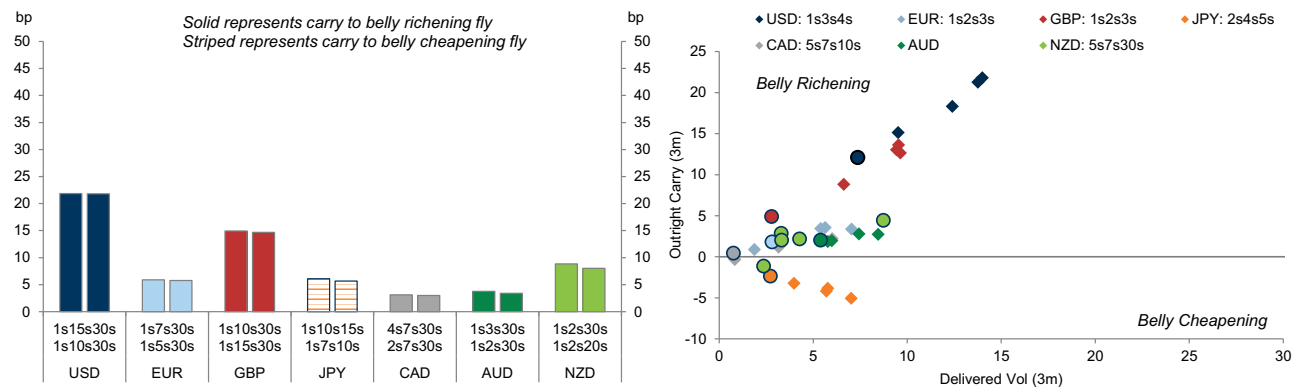
Bar chart shows top two carry curves by currency, with solid reflecting carry to a steepening position and striped carry to a flattening position. Scatter illustrates top 5 carry/vol curves by currency, with top curve by currency noted



Source: Goldman Sachs Global Investment Research

Fly Carry

Bar chart shows top two carry flies by currency, with solid reflecting carry to a belly-richening fly and striped carry to a belly-cheapening fly. Scatter illustrates top 5 carry/vol flies by currency, with top fly by currency noted.



Source: Goldman Sachs Global Investment Research

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Treasury Supply Monitor

Gross Treasury auction size estimates by year end, with GS projections

Monthly Auction Amounts at End of Calendar Year (\$ billions)											
	2y FRNs	2y	3y	5y	7y	10y	20y	30y	5y TIPS	10y TIPS	30y TIPS
YE-23 (CY)	28 / 26 (r)	57	50	58	40	40 / 37 (r)	16 / 13 (r)	24 / 21 (r)	22 / 20 (r)	17 / 15 (r)	9 / 8 (r)
YE-24 (CY)	30 / 28 (r)	69	58	70	44	42 / 39 (r)	16 / 13 (r)	25 / 22 (r)	24 / 22 (r)	19 / 17 (r)	9 / 8 (r)
YE-25 (CY, GS)	30 / 28 (r)	69	58	70	44	42 / 39 (r)	16 / 13 (r)	25 / 22 (r)	26 / 24 (r)	21 / 19 (r)	9 / 8 (r)
YE-26 (CY, GS)	31 / 28 (r)	71	60	72	46	42 / 39 (r)	16 / 13 (r)	25 / 22 (r)	28 / 26 (r)	21 / 19 (r)	9 / 8 (r)

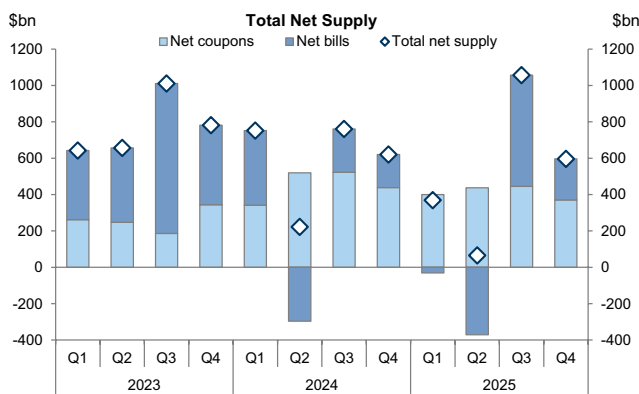
* Original Issue / Reopening listed for FRNs, 10s, 20s, 30s, and TIPS.

US Treasury Net Issuance by Calendar Year (\$ billions)						
	Net Coupons	Fed	Net of Fed	Net Bills	Fed	Net of Fed
CY 2023	391	-648	1039	1978	-74	2053
CY 2024	1346	-475	1821	511	-23	534
CY 2025, GS	1555	-115	1670	437	19	418
CY 2026, GS	1214	0	1214	874	490	384

Duration supply (\$bn 10y equiv)		
Gross supply	Fed	Net of Fed
2284	0	2284
2765	0	2765
2796	0	2796
2871	210	2661

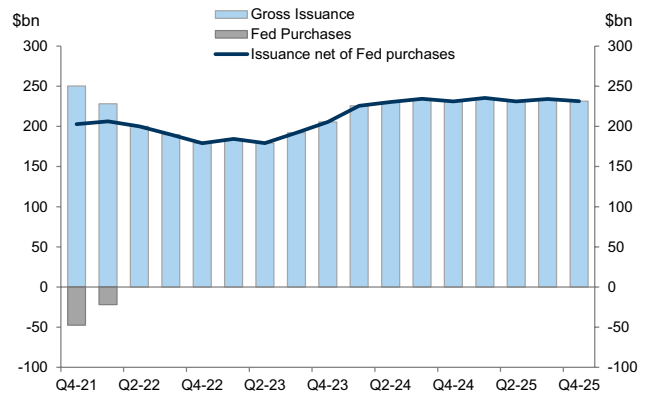
Source: Goldman Sachs Global Investment Research, US Department of the Treasury

Net issuance per quarter



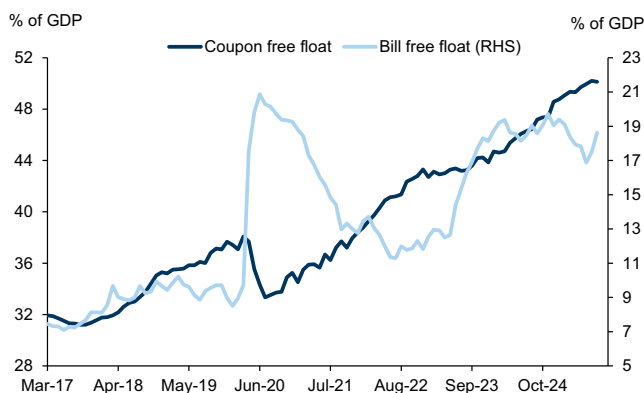
Source: Goldman Sachs Global Investment Research, US Department of the Treasury

Average monthly UST issuance, gross and net of Fed purchases; \$bn 10y equivalents



Source: Goldman Sachs Global Investment Research, US Department of the Treasury

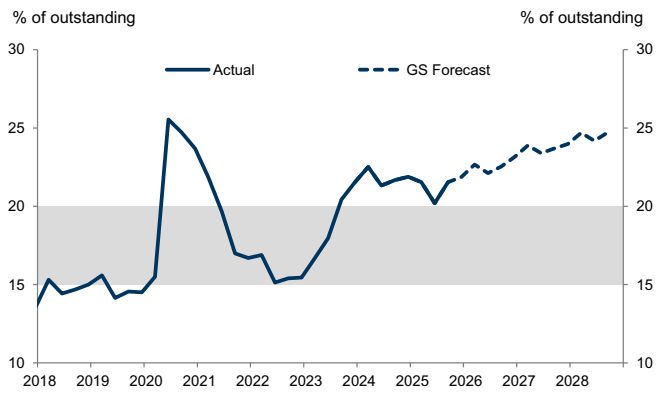
Free float (Treasury's outstanding less Fed and foreign official holdings) as % of GDP



Source: Haver Analytics, US Treasury, Goldman Sachs Global Investment Research

Bills as a share of Treasuries outstanding and GS forecast

Gray shading denotes TBAC recommended 15-20% range

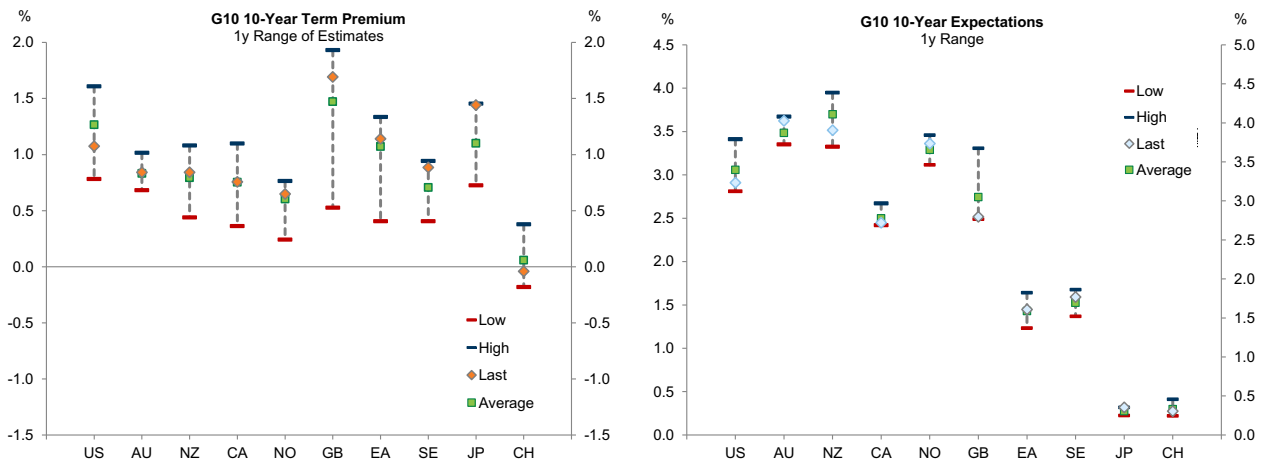


Source: US Treasury, Goldman Sachs Global Investment Research

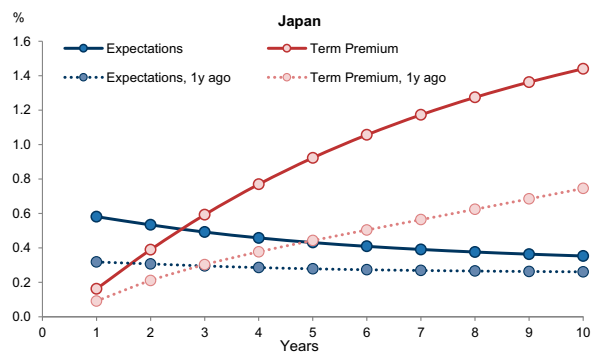
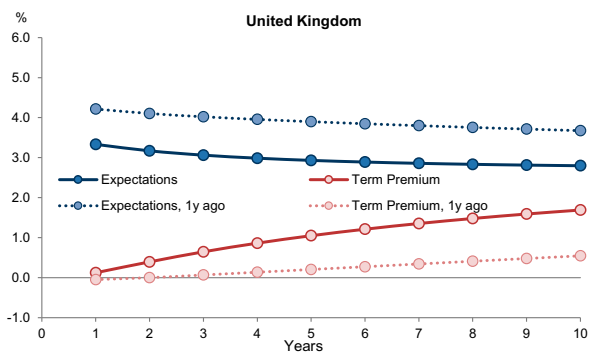
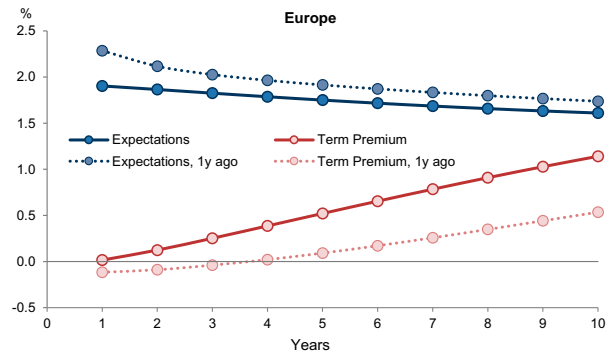
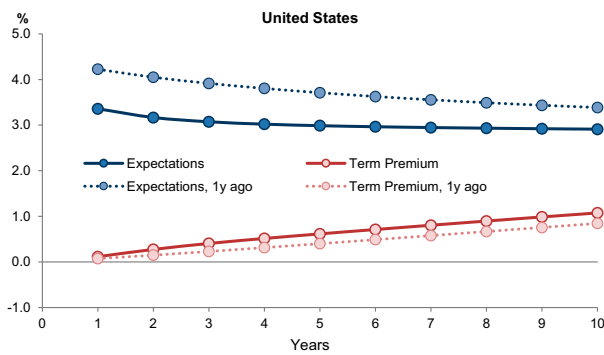
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GS Term Premium Decomposition

1y Range of G10 10y Yields, by Term Premium and Expectations Components



Term Structure of Fitted Yields, by Component



Source: Goldman Sachs Global Investment Research

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2025 Trade Recommendations

GS Rates Trades						
Active	Entry Date	Opened	Latest	Stop	Target	Performance
1. Long 20s on 10s20s30s weighted SOFR fly (weights 0.6x : 2x : 1.4x)	1-Aug-25	0.24	0.22	0.27	0.18	+2 bps
2. Oct25/Jan26 JPY OIS meeting steepeners	19-Sep-25	0.11	0.21	0.17	0.23	+10 bps
3. Long midcurve calls on SFRZ6 (0QZ5C 97.25); Added short 0QZ5C 97.5 on Oct-17	10-Oct-25	0.035	0.008	0.00	0.12	-3 bps
4. Long CORU6	31-Oct-25	2.21	2.19	2.30	2.05	+2 bps
5. Long 10y Gilts vs Bunds	7-Nov-25	1.80	1.77	2.05	1.40	+3 bps
6. Long 3m2y A-25 receiver vs short 3m10y A-25 receiver (return in bp running)	7-Nov-25	0.015	0.00	-0.05	0.10	-2 bps
7. Long 10y Gilts on ASW	21-Nov-25	-0.52	-0.49	-0.57	-0.44	+3 bps
8. SFRZ6/Z7 steepeners	21-Nov-25	0.06	0.04	0.00	0.20	-2 bps
9. Receive AUD 5y5y IRS vs pay NZD 5y5y	28-Nov-25	0.47		0.65	0.15	
Closed	Entry Date	Closed	Performance			
1. Own 3y USTs vs SOFR	18-Nov-24	2-Jan-25	+5 bps			
2. Buy JPY 6m5y payer on 6m 2s5s10s payer fly	9-Aug-24	8-Jan-25	+7bps			
3. Sell USD 3m 2s10s curve cap	3-Jan-25	10-Jan-25	-6 bps			
4. Own 2y3y USTs vs SOFR	2-Jan-25	24-Jan-25	+4bps			
5. Own CORU5	17-Jan-25	31-Jan-25	+13bps			
6. Long 2y SEK IRS	17-Jan-25	31-Jan-25	+9bps			
7. Receive 5y5y AUD IRS vs pay CAD 5y5y	18-Nov-24	31-Jan-25	+1bp			
8. ERM5/Z5 flatteners	17-Jan-25	7-Feb-25	+5bps			
9. Buy USD 3m2y A-5/A-35bp receiver spreads (return in bp running)	19-Dec-24	13-Feb-25	-5 bps			
10. Pay 10s on weighted JPY 5s10s30s swap fly (weights 1.1x : 2x: 0.9x)	10-Jan-25	13-Feb-25	+10bps			
11. SFRZ5/Z6 flatteners	17-Jan-25	13-Feb-25	+7bps			
12. Receive June 2025 ECB OIS	7-Feb-25	18-Feb-25	-7 bps			
13. 2s5s CORRA steepeners vs 2s5s SOFR flatteners	31-Jan-25	28-Feb-25	+5bps			
14. Receive 2y1y on 1y1y/2y1y/5y5y SOFR fly	21-Feb-25	5-Mar-25	+7bps			
15. Long USD 5y5y ZC inflation swap and long 0.2x USD 5y5y OIS	6-Dec-24	6-Mar-25	-10 bps			
16. 10s30s TIPS breakeven steepeners	28-Feb-25	7-Mar-25	+2 bps			
17. UST-SOFR 3s5s30s belly cheapening flies	7-Mar-25	21-Mar-25	+2 bps			
18. Buy USD 6m5y A/A+30/A+60 payer fly	20-Sep-24	25-Mar-25	-5 bps			
19. Buy USD 6m5y straddle on 6m 2s5s10s straddle fly	8-Nov-24	28-Mar-25	0 bps			
20. 10s30s Gilt flatteners	31-Jan-25	28-Mar-25	-5 bps			
21. Long JPY 3m10y A/A+25bp payer spread (return in bp running)	14-Feb-25	1-Apr-25	+1 bps			
22. Pay 20s on 10s20s30s SOFR fly	18-Nov-24	4-Apr-25	+6 bps			
23. CORZ5/Z6 steepeners	7-Mar-25	4-Apr-25	+0 bps			
24. Buy 5y TIPS on a beta weighted basis versus nominals (1:0.75x)	21-Mar-25	4-Apr-25	+4 bps			
25. JPY 1y1y/2y1y swap steepener	21-Feb-25	4-Apr-25	-6 bps			
26. JGB 10s30s flattener	25-Apr-25	2-May-25	-14 bps			
27. Receive 5y AUD IRS vs pay 5y NZD	21-Feb-25	2-May-25	+1bp			
28. Pay 2y2y CORRA vs receive 2y2y SOFR	4-Apr-25	9-May-25	+8bps			
29. Sell 1x2 A/A+17 3m 2s10s curve cap spread	21-Mar-25	13-May-25	+2bps			
30. Receive July BoC meeting OIS	23-May-25	6-Jun-25	-5 bps			
30. Long 30y TIPS vs short 0.75x 30y nominal UST	17-Apr-25	6-Jun-25	+4 bps			
31. Long 10y10y Gilts vs USTs	16-May-25	20-Jun-25	+23 bps			
32. Buy SFRZ5 96.25 put vs sell 0QZ5 96.25 put (in net premium)	7-Mar-25	27-Jun-25	+16 bps			
33. Long 3y SOFR-UST swap spreads	2-May-25	2-Jul-25	+1 bps			
34. Receive December 2025 BoE meeting OIS	30-May-25	18-Jul-25	+11 bps			
35. Long 5y TIPS vs short 0.7x 5y nominal UST	6-Jun-25	18-Jul-25	+29 bps			
36. 2s5s SOFR curve steepeners	27-Jun-25	30-Jul-25	-5 bps			
37. Long 5y SOFR-UST swap spreads	11-Jul-25	1-Aug-25	+4 bps			
38. Long 3m10y USD payer on 3m 5s10s30s payer fly (return in bp running)	2-May-25	5-Aug-25	+0 bps			
39. Long 1m2y USD receiver (return in bp running)	25-Jul-25	8-Aug-25	+8 bps			
40. Long SFIZ6 vs ERZ6	18-Jul-25	19-Aug-25	+0 bps			
41. Receive December 2025 BoC meeting OIS	18-Jul-25	19-Aug-25	+5 bps			
42. Long 1m2y USD receiver vs sell A+10 payer (payer added 15 Aug; return in bp running)	8-Aug-25	29-Aug-25	+4 bps			
43. Receive Sept 2025 BoC meeting OIS	22-Aug-25	5-Sep-25	+9 bps			
44. Long 1m2y USD receiver (return in bp running)	29-Aug-25	5-Sep-25	+8 bps			
45. Long SFRZ5 vs ERZ5	8-Aug-25	12-Sep-25	+23 bps			
46. Long 5y5y USD inflation swaps beta-weighted to nominals (0.2x long 5y5y nominals)	19-Sep-25	17-Oct-25	-3 bps			
47. Long 3m2y A-25bp receiver vs short 3m5y A-25bp receiver (return in bp running)	8-Aug-25	10-Nov-25	+0 bps			
48. Long JPY 1m30y ATM receivers	31-Oct-25	13-Nov-25	-3 bps			
49. SERFF G6/M6 (Feb/Jun 2026) flatteners	31-Oct-25	14-Nov-25	+0 bps			
50. Pay belly on 1y forward 2s5s30s SOFR fly	19-Sep-25	18-Nov-25	+0 bps			
51. ERH6H7 Steepeners	17-Oct-25	21-Nov-25	+4 bps			
52. Long 5y5y USD inflation swaps	17-Oct-25	21-Nov-25	+0 bps			
53. Gilt 2s5s Steepeners	29-Aug-25	21-Nov-25	+10 bps			

Note: Potential profit/loss estimates are given as per unit of duration risk, through yesterday's close.

Source: Goldman Sachs Global Investment Research

Global Interest Rates Strategy

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Reg AC

We, George Cole, William Marshall, Bill Zu, Simon Freyenet and Friedrich Schaper, hereby certify that all of the views expressed in this report accurately reflect our personal views, which have not been influenced by considerations of the firm's business or client relationships.

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