Market Commentary Blog

Cash Flow *and Carey*

Robert Carey, CFA
Chief Market Strategist

Peter Leonteos
Market Strategist

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Global Government Bond Yields

2- & 10-Year Government Bond Yields

Country	2-Year Yield	2-Year 12-Month Change (Basis Points)	10-Year Yield	10-Year 12-Month Change (Basis Points)
Australia	3.36%	-77.3	4.33%	-6.8
Canada	2.62%	-166.5	3.24%	-45.4
China	1.46%	-34.0	1.70%	-59.3
France	1.92%	-119.7	3.22%	15.8
Germany	1.79%	-125.9	2.55%	-3.9
Italy	2.03%	-150.6	3.53%	-36.0
Japan	0.73%	39.8	1.50%	47.8
Switzerland	-0.30%	-123.2	0.22%	-48.9
United Kingdom	4.07%	-41.7	4.73%	44.6
United States	3.99%	-98.6	4.48%	-7.3

Source: Bloomberg. As of 4:00PM CST on 5/28/25. **Past performance is no guarantee of future results.**

View from the Observation Deck

Today's table reveals the trend in global government bond yields over the trailing 12-months ended 5/28/25. As many investors are aware, central banks across the globe began reducing policy rates in 2024 amidst mounting evidence of disinflation. As today's data shows, this monetary easing resulted in a widespread decline in global government bond yields. That said, concerns that inflation may not be fully contained (among other factors) have increased. In the U.S., the Federal Reserve cited inflation and economic uncertainty as catalysts for leaving policy rates unchanged for the third consecutive meeting in May.

Headline inflation remains muted but is forecast to increase in all but three of the countries observed in today's table by year's end.

While not presented in the table, inflation remains below central bank targets in all but four of the countries represented above (Germany, Japan, the U.K., and the U.S. are the exceptions). That said, analysts anticipate that inflation will increase across the globe in 2025. Data from Bloomberg reveals that Italy, Japan, and the U.K. are the only countries from today's table that will not see inflation increase by the end of this year.

Since our last post, real yields (yield minus inflation) offered by 10-year government bonds increased across most of the globe.

This may seem counterintuitive at first. As shown in the column marked "12-Month Change (Basis Points)", yields on most of the 10-year government bonds in today's table declined over the past 12-months. That said, falling yields were largely offset by disinflation. As of 5/28/25, nine of the ten countries represented in today's table had a positive real yield on their 10-year note (up from eight the last time we posted on this topic). The nine countries and their respective real yields are as follows: France (2.52%); U.S. (2.18%); Australia (1.93%); China (1.80%); Italy (1.63%); Canada (1.54%); U.K. (1.23%); Germany (0.45%); and Switzerland (0.22%).

Takeaway

As we see it, the world's central banks may find themselves with limited tools to fight recession should global output slow dramatically. As revealed by data from Bloomberg, analysts expect inflation will increase in many of the largest economies across the globe this year. Notably, inflation surged in both Italy and the U.K. in the months since our last post on this topic. That said, 2-year yields declined among all but one country (Japan), indicating that short-term bond investors were discounting for lower interest rates over the 12-month period covered by today's data. We expect central bank policy rates will remain elevated in countries where inflation has reaccelerated but recognize that these are multifaceted decisions. Should these economies face substantial stagnation, central banks could lower short term rates despite the risks posed by price increases. We will continue to monitor the situation and report back as new developments occur.