



Investment
Group

US DEBT CEILING DYNAMICS

The Impact on Yields

April 2025

US Debt Ceiling = \$ 36,10 trillion

January 2025

Debt Ceiling reached

March 2025

Funding Resolution until
September 2025

June 2023

Suspension of Debt
Ceiling until January
2025

September 2025

Allowed to issue new debt only if debt
ceiling raised or suspended

DOGE

~100 billion USD (savings)

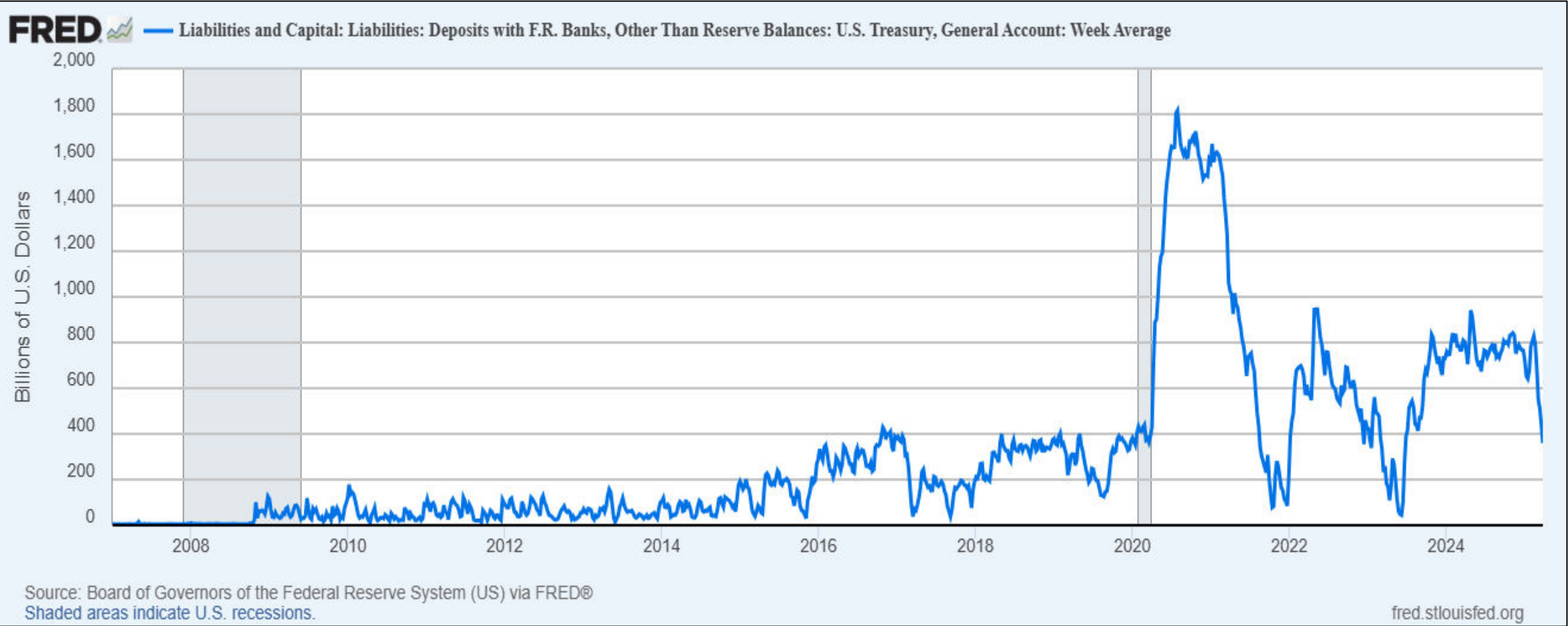
Extraordinary Measures

~337 billion USD

Treasury General Account

~800 billion USD

US DEBT CEILING EXPLAINED



Significance of TGA dramatically changed over time

DEBT CEILING REACHED

- › Can only issue debt to replace maturities
- › Less supply assuming constant demand

Bond prices rise / bond yields fall



DEBT CEILING RAISED OR
SUSPENDED

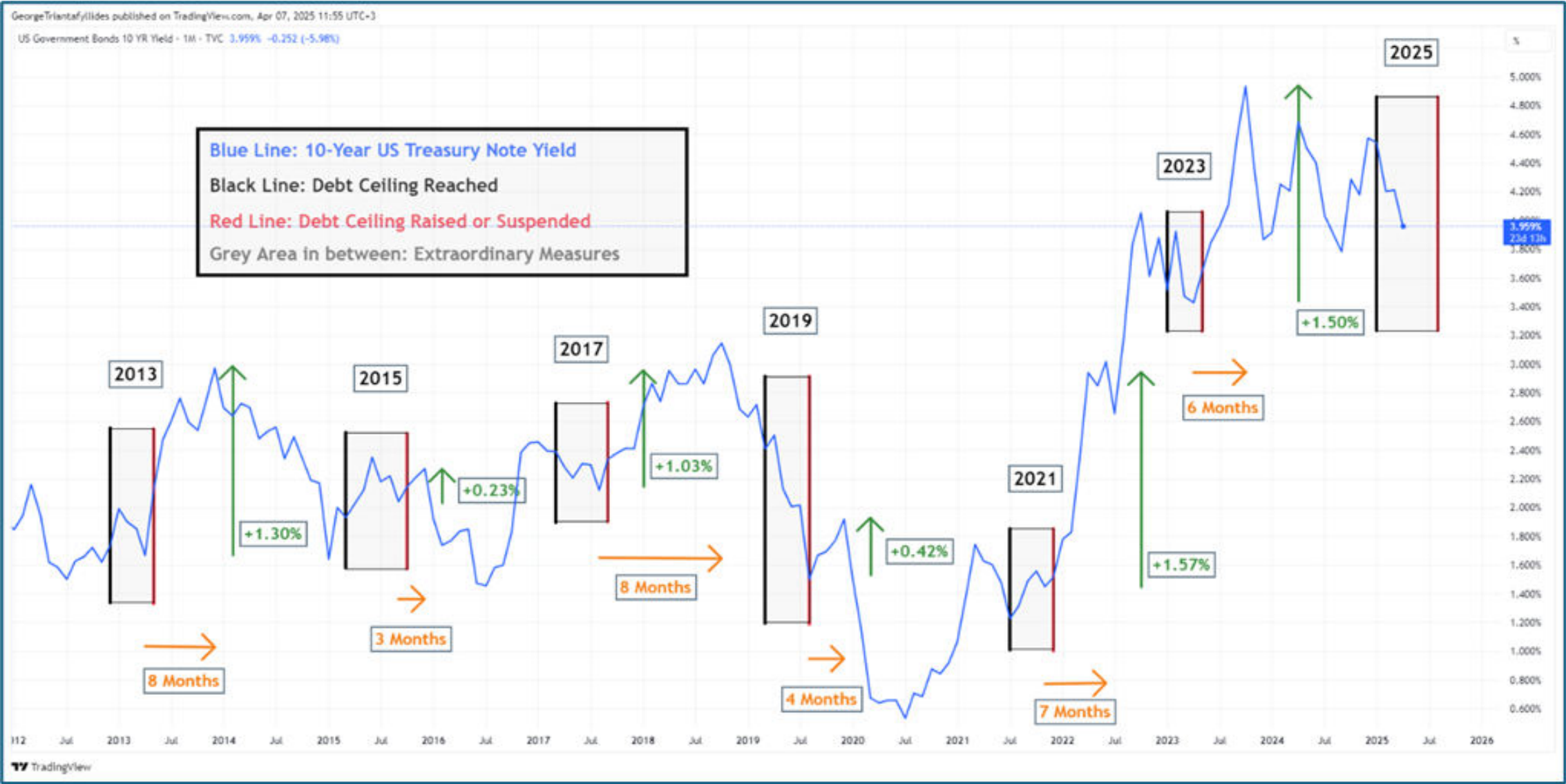
- › Debt can be issued
- › Replenish funds used under
Extraordinary Measures & TGA
- › Fund government spending
- › Increase in supply assuming constant
demand

Bond prices fall / bond yields rise

	USD Billion
2024 US GDP Estimate	28.000
2025 US GDP Growth (Fed Projection 1.7%)	476
2025 US GDP Estimate	28.476

	USD Billion
Extraordinary Measures (refunding)	337
TGA (refunding)	800
3% US Deficit / GDP (Q4)	214
Total New Debt Issuance (projected)	1.351

10 YEAR US TREASURY NOTE YIELD DURING PAST DEBT CEILING EVENTS



GROWING PROBABILITY OF A RECESSION

RECESSION DELAYED

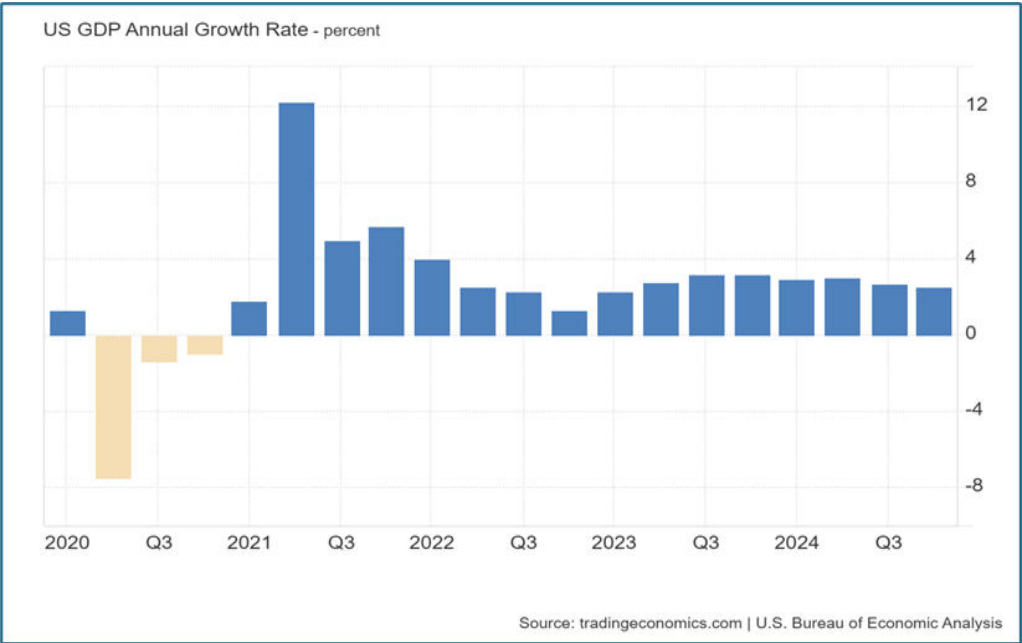
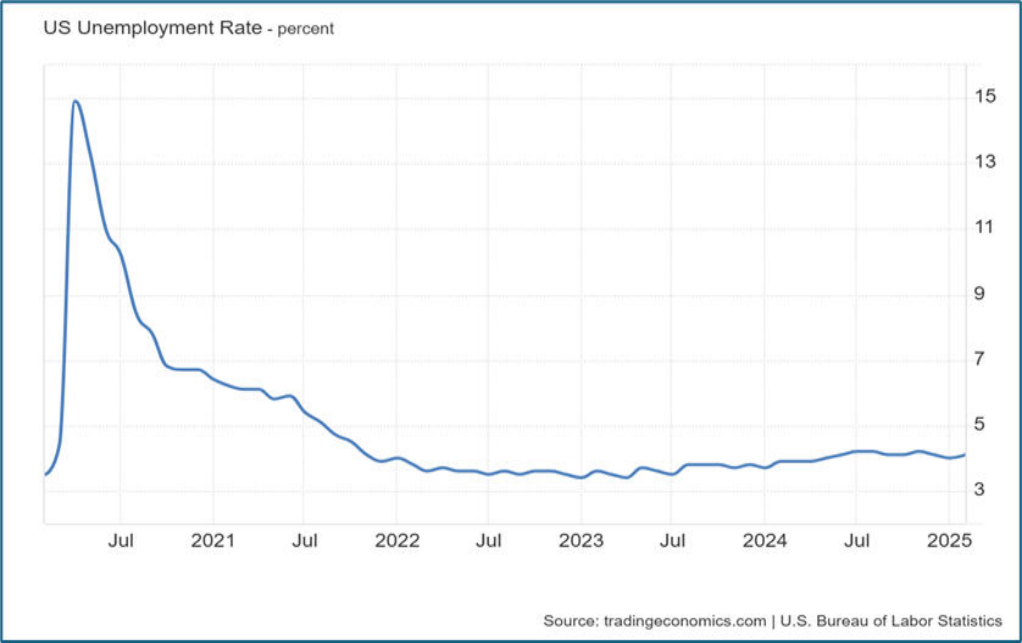
Global economic recession delayed due to strength of the US economy in last few years

US consumer continued to spend (low unemployment / strong GDP growth)

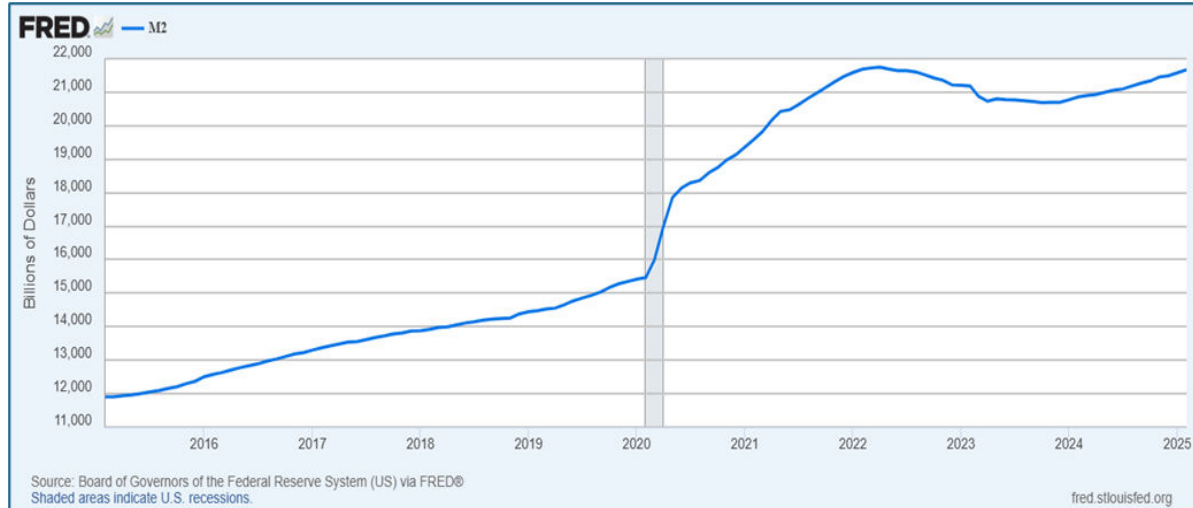
Increased US fiscal spending by previous US administration (1.15 million new public sector employees in 2023/2024)

Strong earnings by “Magnificent Seven” companies

Rise of Artificial Intelligence



GROWING PROBABILITY OF A RECESSION



Monetary economists long argued that the USD 1.1 trillion drop in M2 money supply in 2022/2023 will inevitably lead to deflation and recession

RECESSION IS COMING

US consumer is currently being weakened / DOGE push

Increased tariffs eroding purchasing power / reducing US company earnings

Reduced wealth effect by stock market crash

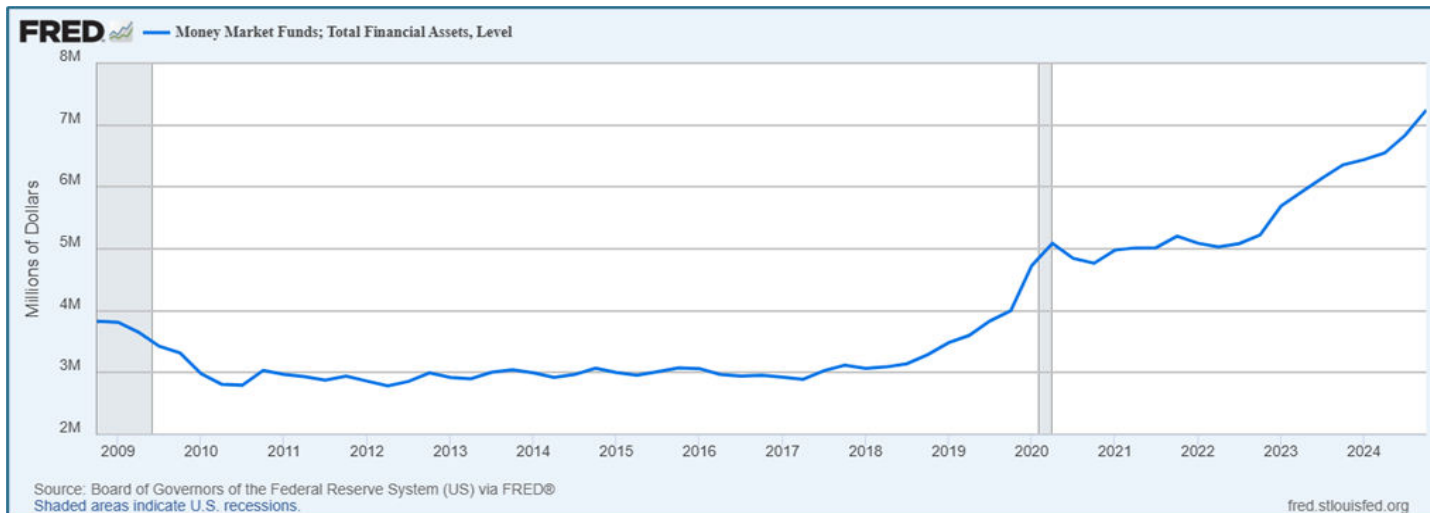
US Federal Reserve may not act proactively due to uncertainty over tariff inflationary pressures

Higher mortgage rates

High probability of US and global economic recession

US Federal Reserve has two basic tools in its arsenal

Lower the Fed Funds Target Range (CME FedWatch Tool)

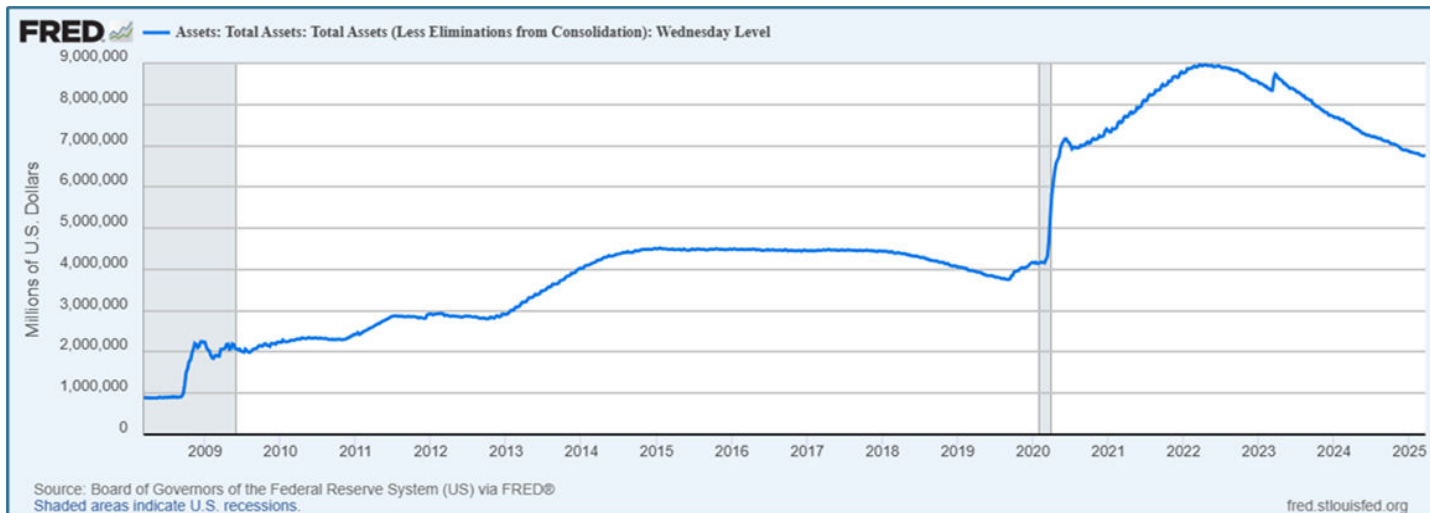


US Federal Reserve may lower short-term interest rates aggressively to spur growth through lending and shifting of funds to the real economy and the stock market

USD 7.2 trillion currently sitting in money market funds

US Federal Reserve has two basic tools in its arsenal

End Quantitative Tightening (QT) / embark on Quantitative Easing (QE)

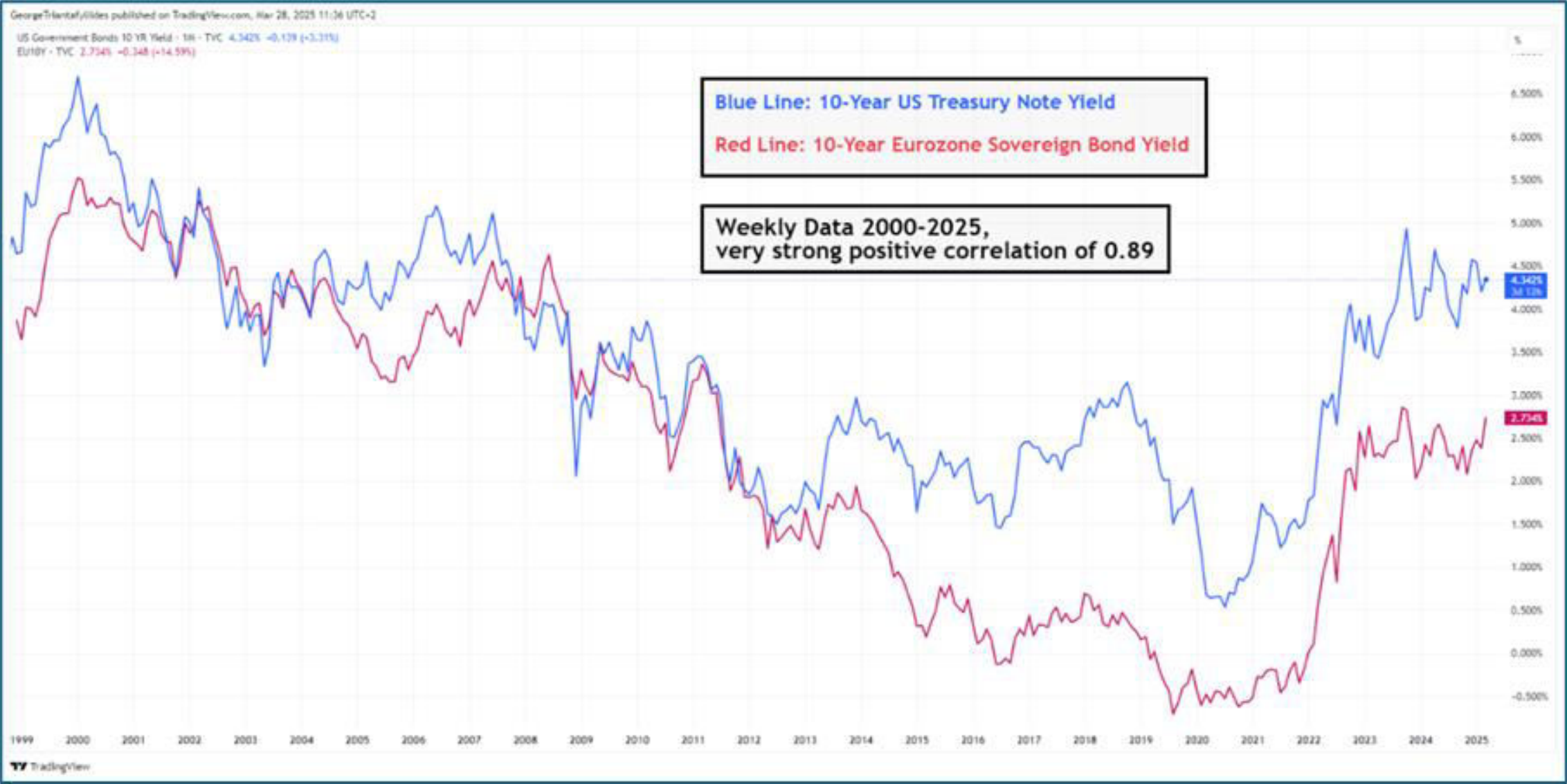


US Federal Reserve may end QT / embark on QE to inject liquidity into the market and lower long-term yields

Fed may be reluctant to deploy QE in fear of inflation resurgence

Fed reactive rather than proactive = worse economic slowdown

10-Y UST & GERMAN BUND RELATIONSHIP



Technical Analysis Forecasts

Two working scenarios:

(a) the US does not backtrack on its tariff plans (hard landing)

(b) the US makes tariff concessions / negotiates trade agreements (soft landing)

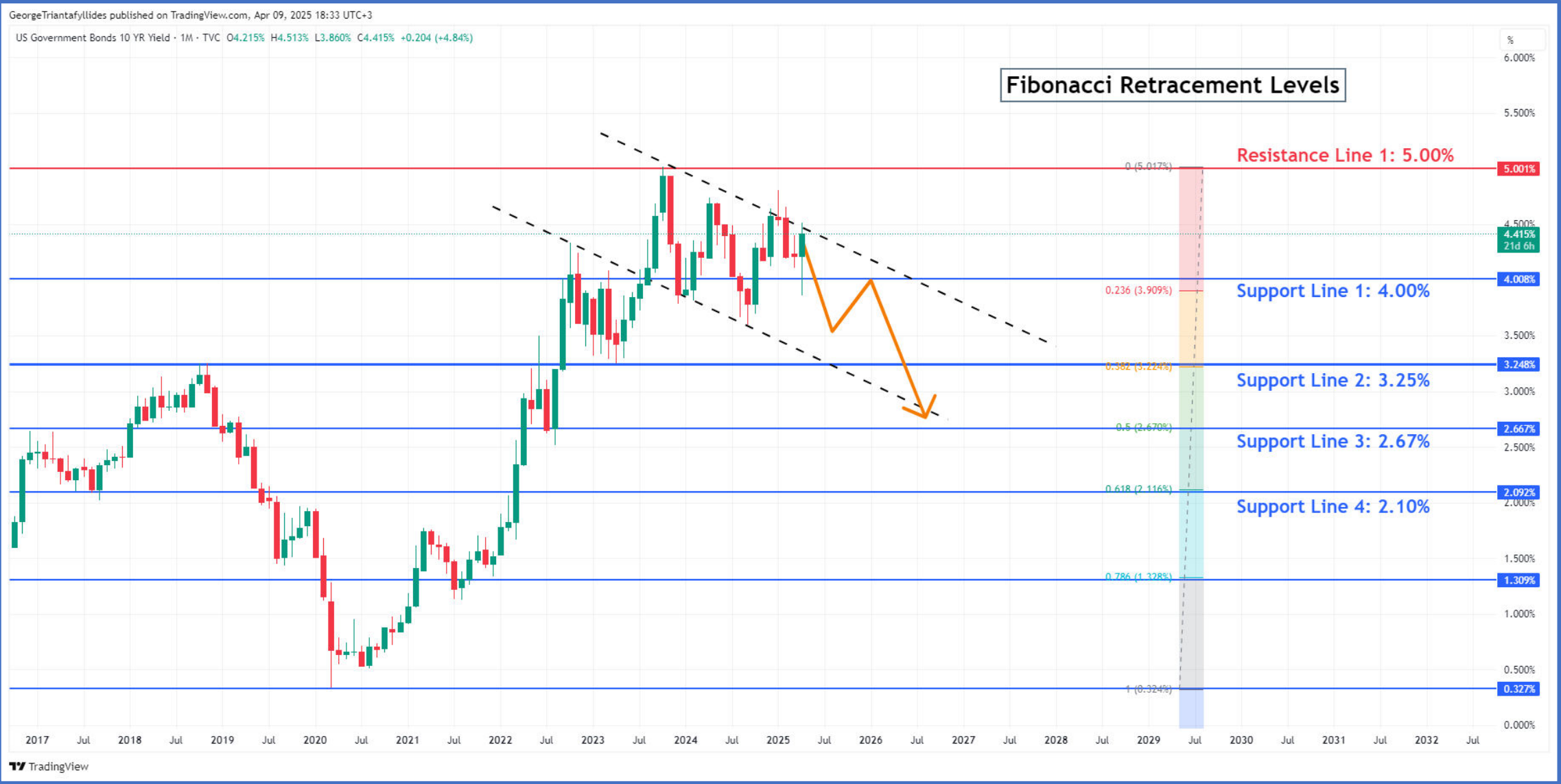
TECHNICAL ANALYSIS FORECASTS

Hard Landing 10-year US Treasury Note yield



TECHNICAL ANALYSIS FORECASTS

Hard Landing 10-year US Treasury Note yield



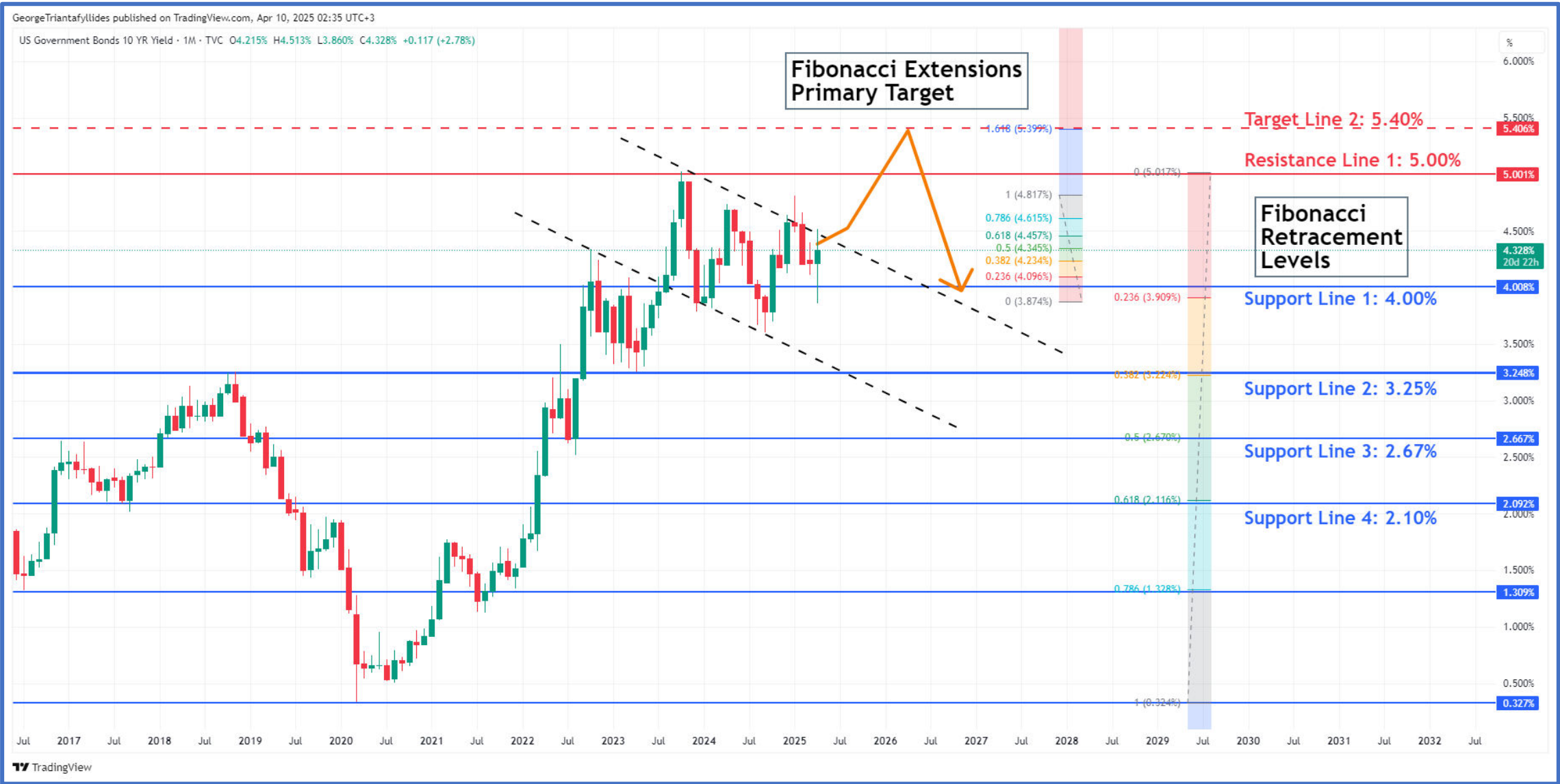
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Soft Landing 10-year US Treasury Note yield



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Soft Landing 10-year US Treasury Note yield



TECHNICAL ANALYSIS FORECASTS

Hard Landing 10-year German Bund yield



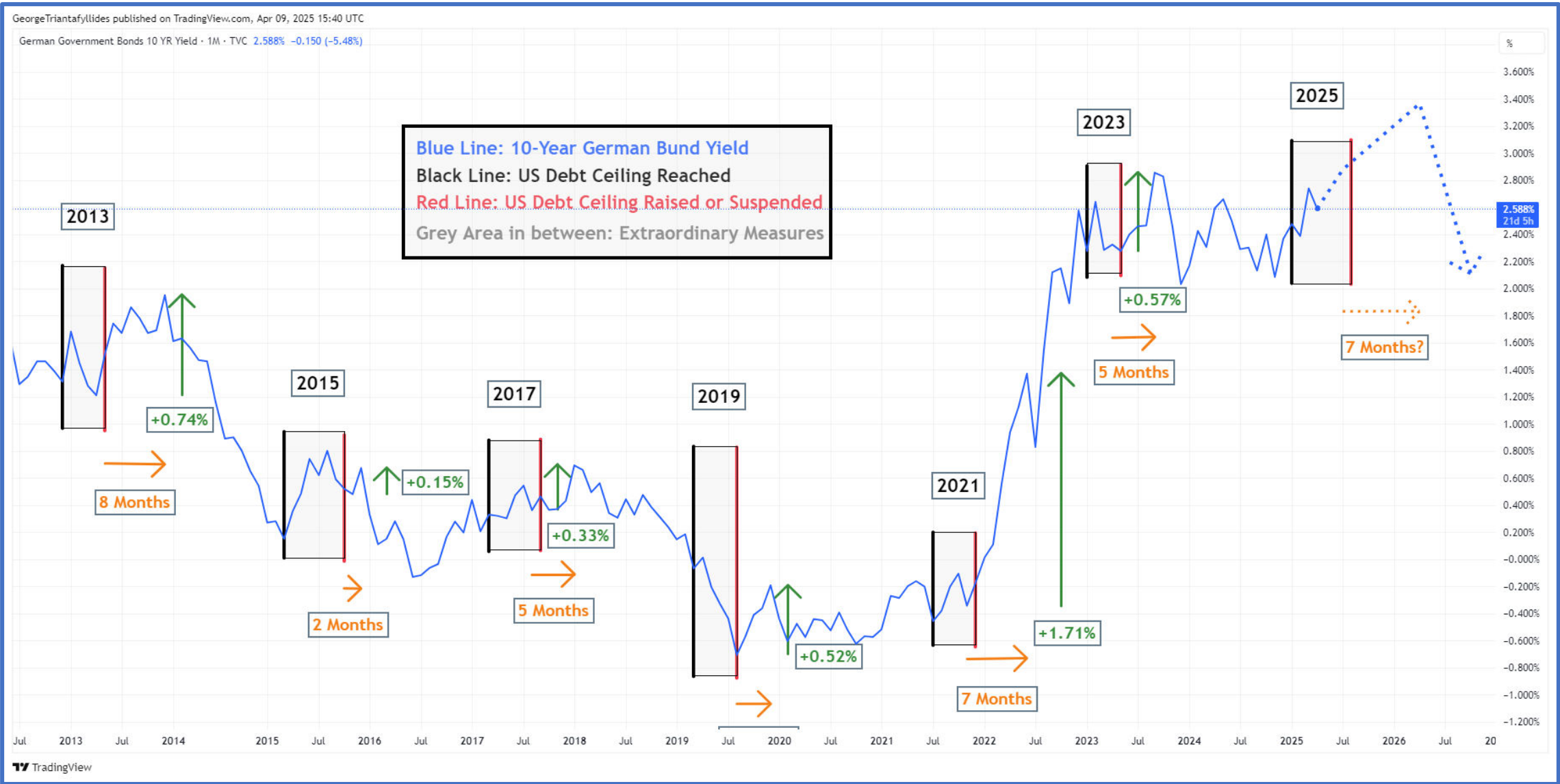
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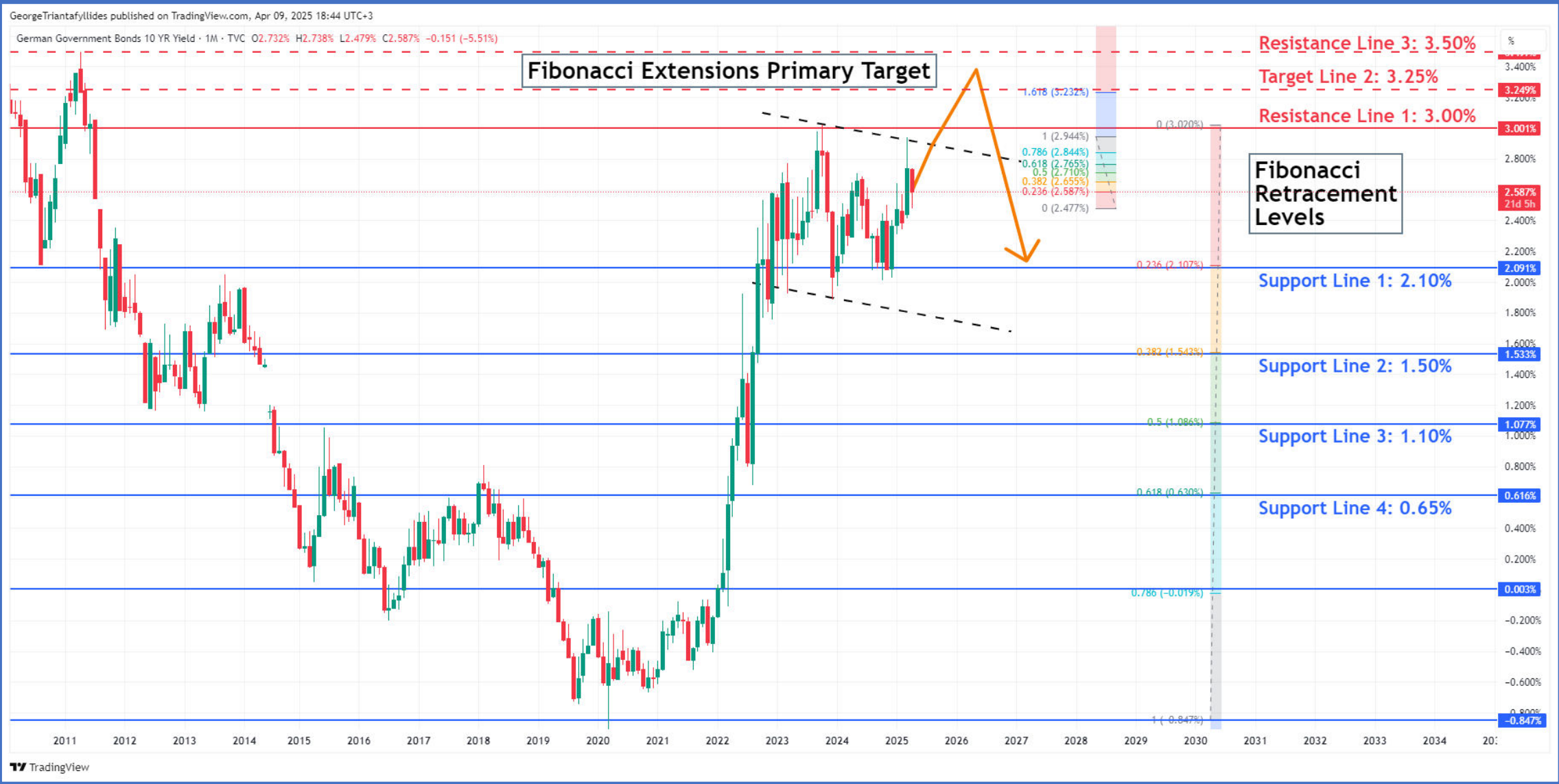
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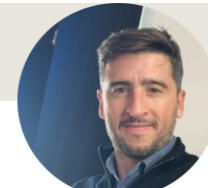


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