

## Rates Spark: Long end pressured with Dutch pension reform on course

Without much data, the US fiscal story provides for a bearish bias as 10-year Treasury yields probe above 4.5% again. The 20y bond sale might garner more attention than usual in this context. EUR rates reacted with a steepening of the ultra-long curve as the Dutch parliament voted against an amendment that could have derailed the pension reform



Amid limited data to work with, the market discussion can remain centred on the US fiscal trajectory for now. The Moody's downgrade was a good occasion alongside the tax bill making its way through the House.

For Treasuries, that has resulted in the 10y yield probing above 4.5% again as the spread over swaps widened to 54bp, and we think the bearish bias will stick. On Wednesday, the Treasury's 20y bond sale might garner more attention than usual to gauge investor appetite for the US credit.

## Dutch parliament voted against change in pension reform rules

The Dutch parliament voted against the legal amendment that would potentially delay the pension reforms by years. This was also our base case, but the vote turned out to be surprisingly close, with 72 against and 73 votes for.

With this hurdle behind us, we believe a material amount of assets can still transition on 1 January 2026. Having said that, more and more funds are delaying their transition date and are aiming for 2027 instead. Another amendment to extend the deadline to 2028 did pass on Tuesday, giving pension funds more leeway if needed. It still has to pass the Senate.

The market impact on the euro swap curve was an accelerated 10s30s steepening as the remaining uncertainty around the transition has been removed – the curve steepened by more than 3bp starting with the first indications that the amendment would not pass, as some smaller parties flagged their voting intentions going into the vote. At close to 5bp, it is now more clearly in positive territory and at its steepest since early 2022.

### Today's events and market view

After the UK inflation release in the morning, the remainder of the day looks relatively dull in terms of pure data events. The European Central Bank will publish its financial stability reviews, and later in the day we will also have Chief Economist Philip Lane speaking.

From the Fed, Thomas Barkin and Michelle Bowman are scheduled to speak, with the mortgage applications data the only data event of note.

The supply side will be busier. Germany will auction €4bn in 10y Bunds and the UK 4.25bn in 6y gilts. The main supply event for market observers will likely be the US Treasury's new 20y bond auction for US\$16bn, though we would not read too much into the results for this particular tenor.

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