

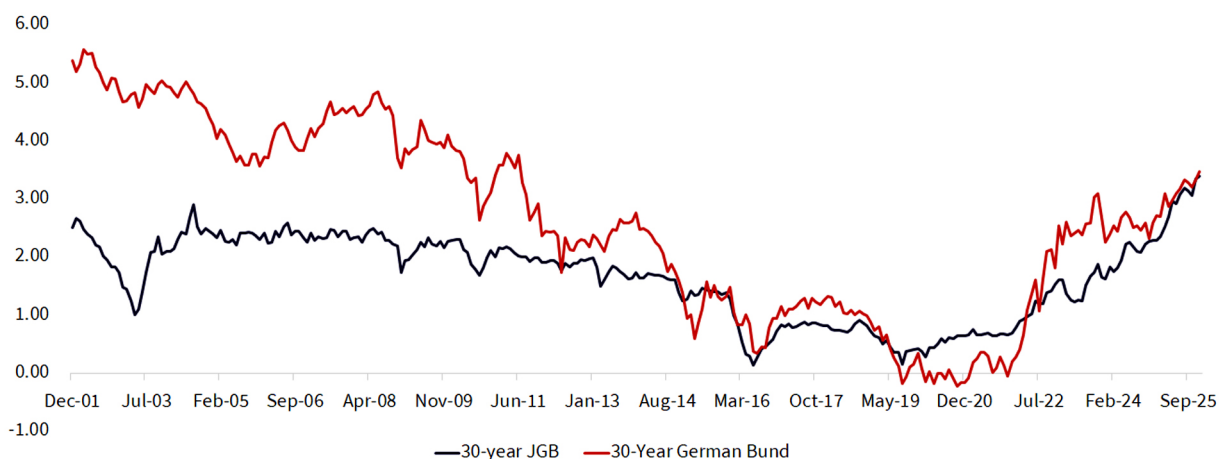
The extraordinary rise in Long Dated Bond Yields

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**30-year government bonds yields
Germany and Japan**



WHAT THIS CHART SHOWS

The chart above shows the dramatic rise in 30-year government bonds yields in Germany and Japan over the last five years.

WHY THIS IS IMPORTANT

Thirty-year sovereign yields in both Germany and Japan have undergone an extraordinary regime shift. 30-year Japanese Government Bond (JGB) yields have surged from just above zero to around 3.5%, while 30-year German Bund yields have risen from deeply negative territory to roughly the same 3.5% level—a move of unprecedented magnitude for markets long anchored by deflationary expectations and ultra-loose policy.

The drivers are clear and shared: the global inflation shock, the end of yield-curve control and policy normalization in Japan, tighter monetary policy in the euro area, heavier fiscal issuance, and a structural repricing of term premia after years of financial repression. The scale of the price impact is starkly illustrated by Germany's 0% 2052 Bund, issued in 2021 at price of about 95 despite paying no coupon for 30 years; as yields reset higher, its long duration and zero cash flow made it acutely sensitive to rate rises, sending the price to around 40—a brutal reminder that when yields rise from negative or near-zero levels to mid-single digits, duration risk dominates and capital losses can dwarf income considerations.

From today's starting point, however, these much higher yields materially improve expected long-term returns, meaning the very repricing that caused such pain now lays the groundwork for far more attractive future outcomes for sovereign bonds.

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