
BOND BUYERS BEWARE: BUND'S PREMIUM IRRATIONAL WITH EUROZONE MOVING BEYOND CRISIS POINT

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Too much longevity in ECB' QE program may have been priced into Eurozone's safest long-dated bonds as sub-zero inflation linked bond yields of Germany suggest unrealistic 'crisis like' conditions. The re-leveraging of banks' balance sheets suggests a departure of government debt hoarding and the return of more risk-taking behavior as bank credit growth put a domestic demand-led recovery on a more solid footing.

The bond market in Europe looks increasingly vulnerable to more volatility. At the epicentre of souring sentiment are Bunds. This, not Greece, is dictating the direction of bond yields elsewhere in Eurozone bond markets. Bearish position in Eurozone fixed income may be warranted. Leveraged short ETPs tracking German Bunds and Italian BTPs are efficient investments to play the theme.

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