# Fixed Income Quarterly Strategy — April 2025


Emmanuel Petit

General Partner, Head of Fixed Income

Julien Boy

Fixed Income Portfolio Manager
Specialisation: Govies & Inflation

Samuel Gruen

Fixed Income Portfolio Manager


While the gradual normalization of monetary policies was well underway, the trade war initiated by Donald Trump has reinforced expectations of rate cuts, against a backdrop of growing fears of an economic slowdown in the US.

## From desynchronization to convergence

Since last year, on both sides of the Atlantic, the normalization of monetary policies had been quietly underway before being disrupted by a resurgence of geopolitical and trade tensions, with Donald Trump's recent announcement of new tariffs. These protectionist measures rekindled market volatility and uncertainty about the trajectory of global growth.

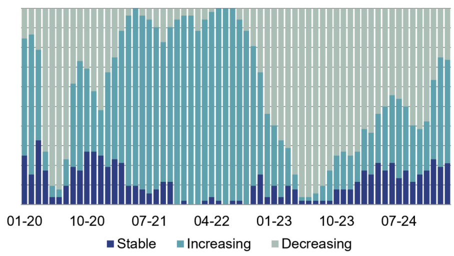
In Europe, the beginning of the year was marked by a rise in yields, particularly on the long end of the curve, triggered by the announcement of fiscal stimulus measures in Germany and the increase in European defense budgets. The 10-year rate thus rose to 2.90%, i.e. +53 basis points (bps), while at the same time the 2-year rate remained stable[1], giving rise to a steepening movement[2]. Conversely, since the start of the year, yields across the Atlantic have been on a downward trend, with the US 10-year at 4.21%[1], as markets have turned their attention more to geopolitical and trade developments, in particular the new US tariffs.

Investors are concerned about the impact of these measures on growth and inflation in the US and Europe. In this climate of uncertainty, monetary policy expectations have been revised. As of April 11, the market now anticipates just over three further rate cuts by the

ECB and the Fed in 2025, which would bring deposit rates down to 1.50% - 1.75% and 3.50% - 3.75% respectively by the end of 2025[3].

**World - Change in global inflation**

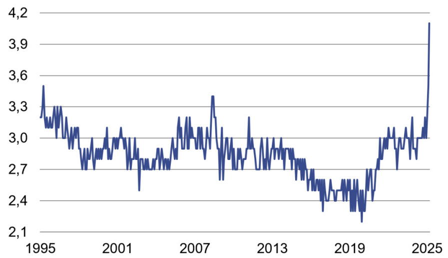
*% of countries, 3m/3m*




Source : OECD, Rothschild & Co Asset Management, April 2025

**United States - LT inflation expectations**

*in %, University of Michigan survey*




Source : Macrobond, Rothschild & Co Asset Management, April 2025

## Caution prevails in the face of US slowdown

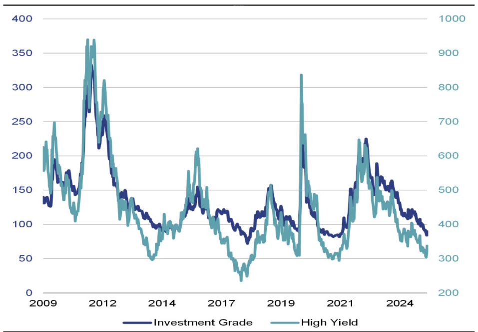
The current market configuration, marked by a return to less risky assets, has resulted in credit spreads4 widening. At the same time, European yields are easing, particularly on German bonds, whose 10-year yield has fallen to close to 2.50%[1].

In this environment, Investment Grade[5] bonds logically outperformed the High Yield[6] segment, with the former gaining +0.48% versus -0.86% for the latter, for yields of 3.4% and 6% respectively. From a sector point of view, cyclical stocks such as the automotive sector underperformed, while the financial and real estate sectors, which are more oriented towards domestic markets, posted better performances.

Despite this volatile backdrop, European credit continues to demonstrate a certain resilience, underpinned by solid fundamentals overall. Carry trade remains an attractive driver, with yields still high compared with the last ten years.

**Spreads Investment Grade and High Yield**

*in basis point*




Source: Bloomberg, Rothschild & Co Asset Management – 14/03/2025

**Investment Grade and High Yield returns**

*in %*


Source: Bloomberg, Rothschild & Co Asset Management – 14/03/2025

## Our positioning in the credit market

Widening spreads and uncertainties about global growth call for caution, but they should not prevent us from managing with conviction, flexibility and opportunism. Adjusting duration and rigorously selecting issuers, with particular attention to credit quality, will be key over the coming months. In this context, financial subordinated bonds, despite their recent volatility, continue to offer attractive entry points. Similarly, maturity funds remain attractive for investors seeking visibility in a turbulent environment.

## Our new generation of Maturity Funds is now available!

Discover R-co Target 2029 HY, a credit fund based on a bond-to-maturity strategy invested in High Yield bonds, and R-co Target 2030 IG, a similar strategy invested exclusively in the Investment Grade segment. These investment solutions are open for subscription until December 31, 2025. With over 15 years' experience, we are pioneers in the distribution of maturity funds. Over the years, we have managed more than €5 billion through this expertise. We offer only pure strategies, invested exclusively in High Yield or Investment Grade segments, and not including any perpetual bonds.

Before making any investment, it is essential to carefully read the PRIIPS KID and prospectus of the OPC, particularly the section on risks and fees, available on Rothschild & Co Asset Management’s website: am.eu.rothschildandco.com.

R-co Conviction Credit Euro

SRI: 2/7

The risk indicator assumes you keep the product for 3 years. The actual risk can be significantly different if you choose to exit before maturity, and you may get back less. The synthetic risk indicator provides an assessment of the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or if we are unable to pay you. We have classified this product as being in risk category 2 out of 7, which is a low risk class. This reflects primarily its positioning on private debt products while maintaining a sensitivity between 0 and +8. In other words, the potential losses from the product’s future performance are low, and if markets were to deteriorate, it is very unlikely that our ability to pay you would be affected. This product does not include any protection from future market performance or a capital guarantee, so you could lose some or all of your investment.

R-co Target 2029 HY

SRI: 3/7

The risk indicator assumes you keep the product until December 31, 2029. The actual risk can be significantly different if you choose to exit before maturity, and you may get back less. The synthetic risk indicator provides an assessment of the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or if we are unable to pay you. We have classified this product as being in risk category 3 out of 7, which corresponds to a low to medium risk level. This reflects primarily its positioning on credit risk and fixed-income products with a maximum residual maturity of December 31, 2029. In other words, the potential losses from the product's future performance are low to medium, and if markets were to deteriorate, it is unlikely that our ability to pay you would be affected. This product does not include any protection from future market performance or a capital guarantee, so you could lose some or all of your investment.

R-co Target 2030 IG

SRI: 2/7

The risk indicator assumes you keep the product until December 31, 2030. The actual risk can be significantly different if you choose to exit before maturity, and you may get back less. The synthetic risk indicator provides an assessment of the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or if we are unable to pay you. We have classified this product as being in risk category 2 out of 7, which is a low risk class. This reflects primarily its positioning on credit risk and fixed-income products with a maximum residual maturity of December 31, 2030. In other words, the potential losses from the product's future performance are low, and if markets were to deteriorate, it is very unlikely that our ability to pay you would be affected.

R-co Valor Bond Opportunities

SRI: 2/7

The synthetic risk indicator provides an assessment of the level of risk of this product compared to others. It indicates the likelihood of this product incurring losses in the event of market movements or if we are unable to pay you. The risk indicator assumes you keep the product for 3 years. The actual risk can be significantly different if you choose to exit before maturity, and you may get back less. We have classified this product as being in risk category 2 out of 7, which is a low risk class. This reflects primarily a discretionary management approach that diversifies exposure to fixed-income markets over the medium term. In other words, the potential losses from the product's future performance are low, and if markets were to deteriorate, it is very unlikely that our ability to pay you would be affected. This product does not include any protection from future market performance or a capital guarantee, so you could lose some or all of your investment.

Main risks: Discretionary management risk, interest rate risk, credit risk, high-yield ("speculative") credit risk, counterparty risk, performance risk, capital loss risk, risks related to the use of derivatives, specific risk associated with the use of complex subordinated bonds (so-called "CoCos"), currency risk, equity risk, risk related to exposure to non-OECD countries (including emerging markets). Before making any investment, it is essential to read the PRIIPs KID and the fund prospectus carefully—particularly the sections on risks and fees—available on the Rothschild & Co Asset Management website: am.eu.rothschildandco.com.

## *Learn more about the fund(s)*

R-co Valor Bond Opportunities

R-co Target 2030 IG

R-co Conviction Credit Euro

R-co Target 2029 HY

## *Check this document on our website*

(1) Source: Bloomberg, 03/31/2025
(2) Phenomenon occurring when creditors demand higher risk premiums to lend on long maturities.
(3) Source: Consensus, April 2025.
(4) Yield differential between a bond and a loan of equivalent maturity considered “risk-free”.
(5) Debt securities issued by companies or governments rated between AAA and BBB- by Standard & Poor's.
(6) High-yield bonds are issued by companies or governments with a high credit risk. Their financial rating is below BBB- on the Standard & Poor's scale.

**Disclaimer**

Advertising communication. The information, comments and analysis contained in this document are for illustrative purposes only and should not be considered investment advice, tax advice, recommendation or investment advice by Rothschild & Co Asset Management. The information/opinions/data contained herein which are considered legitimate and correct on the date of publication in accordance with the economic and financial environment in place on that date are subject to change at any time. Although this document has been prepared with the utmost care from sources deemed to be reliable by Rothschild & Co Asset Management, it provides no guarantee as to the accuracy and completeness of the information and assessment it contains, which are only indicative and are subject to change without notice. Rothschild & Co Asset Management has not independently verified the information contained in this document and therefore will not be responsible for any errors, omissions or interpretations of the information contained in this document. All such data has been prepared on the basis of accounting or market information. Not all accounting data were audited by an auditor. Furthermore, given the subjective nature of some analyses, it should be emphasised that any information, projections, estimates, forecasts, assumptions and/or opinions are not necessarily put into practise by the management teams of Rothschild & Co Asset Management or its affiliates, who act on the basis of their own convictions. Certain forward looking statements are prepared on the basis of certain assumptions, which are likely to differ either partially or in full from reality. Any hypothetical estimate is, by its nature, speculative and it is possible that some, if not all, assumptions relating to these hypothetical illustrations do not materialize or significantly differ from the current determinations. This analysis is not valid unless at the time of drafting this report.

Any partial or total reproduction of this document is prohibited, without the prior authorisation of Rothschild & Co Asset Management, on pain of prosecution. It should not be considered investment advice, tax advice, recommendation or investment advice by Rothschild & Co Asset Management. The figures quoted relate to past years. Past performance is not a reliable indicator of future performance and is not constant over time. The information/opinions/data contained herein, which are considered legitimate and correct on the date of publication in accordance with the economic and financial environment in place at that date, are subject to change at any time. Although this document has been prepared with the utmost care from sources deemed to be reliable by Rothschild & Co Asset Management, it provides no guarantee as to the accuracy and completeness of the information and assessment it contains, which are only indicative and are subject to change without notice. Rothschild & Co Asset Management has not independently verified the information contained in this document and therefore will not be responsible for any errors, omissions or interpretations of the information contained in this document. Furthermore, given the subjective nature of some analyses, it should be emphasised that any information, projections, estimates, forecasts, assumptions and/or opinions are not necessarily put into practise by the management teams of Rothschild & Co Asset Management or its affiliates, who act on the basis of their own convictions. Certain forward looking statements are prepared on the basis of certain assumptions, which are likely to differ either partially or in full from reality. Any hypothetical estimate is, by its nature, speculative and it is possible that some, if not all, assumptions relating to these hypothetical illustrations do not materialize or significantly differ from the current determinations. [ Where applicable: In addition, the development of these assumptions was not necessarily carried out taking into account, in a comprehensive manner, all the events and conditions applicable. The information does not presume the suitability of the presented UCI for the profile and experience of each individual investor. Rothschild & Co Asset Management will not be held liable for any decision taken on the basis of the information contained in or inspired by this document. In case of doubt, and before any decision to invest, we recommend that you contact your financial or tax advisor.

**About Rothschild & Co's Asset Management division**

Dedicated asset management division of the Rothschild & Co Group, we offer personalised management services to a broad client base of institutional investors, financial intermediaries and distributors. We focus our development on a range of open ended funds marketed under four strong brands: Conviction, Valour, Thematic and 4Change, and benefiting from our long term expertise in active and conviction based management as well as delegated management. Based in Paris and based in 9 countries in Europe, we manage more than 31 billion euros and bring together nearly 160 employees. More information at www.am.eu.rothschildandco.com

# About the Asset Management's division of Rothschild & Co

As the specialised asset management division of the Rothschild & Co group, we offer personalised asset management services to a broad client base of institutional investors, financial intermediaries and distributors.

Our development is focused on a range of open-ended funds, marketed under five strong brands: Conviction, Valor, Thematic, 4Change and OPAL, leveraging our long-term expertise in active management with conviction as well as in delegated management. Based in Paris and established in 9 European countries, we manage more than 38billion euros and employ nearly 170 people.

More information at: www.am.eu.rothschildandco.com


## France

29, Avenue de Messine
75008 Paris
+33 1 40 74 40 74

## Belgium – Netherlands – Luxembourg

Rue de la Régence 52
1000 Bruxelles
+32 2 627 77 30

## Switzerland

Rothschild & Co Bank AG
Rue de la Corraterie 6
1204 Genève
+41 22 818 59 00

## Italy

Passaggio Centrale 3
20 123 Milano
+39 02 7244 31

## Germany - Austria

Börsenstraße 2 - 4
Frankfurt am Main 60313
+49 69 299 8840

## Spain

Paseo de la Castellana 40 bis
28046 Madrid
+39 02 7244 31


Visit our internet site

Follow us on LinkedIn