The Investment Institute
by UniCredit

Coffee Break

Coffee Break is our daily publication, offering topical insights as an intellectual ingot to start the day.

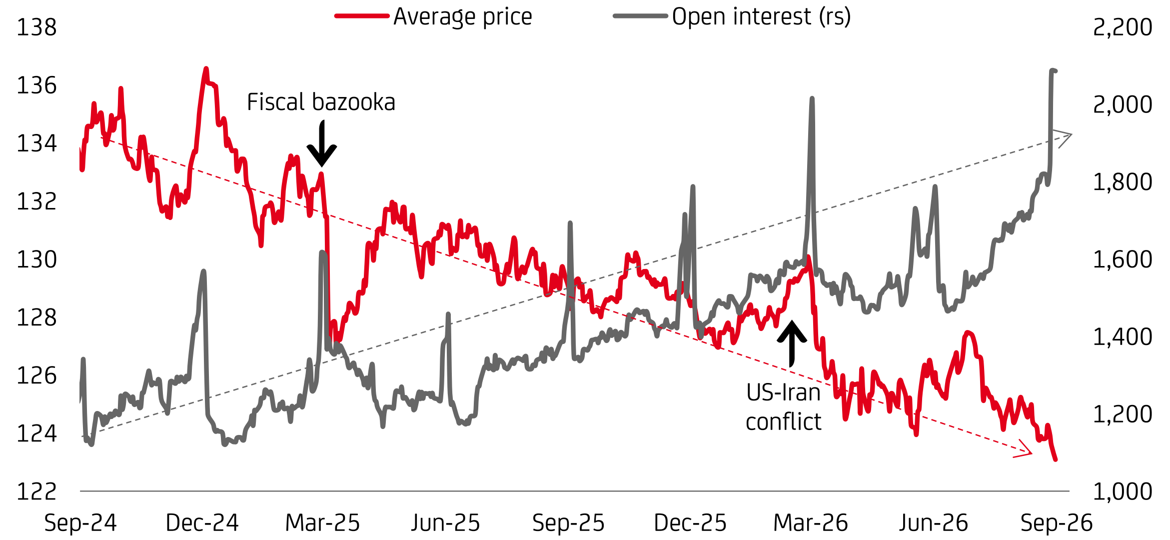
Bunds: the picture remains fragile

2 September 2026

Bund yields have recently risen, with the 10Y yield reaching its highest level since 2011. The mix of heavy supply and adverse macro conditions limits the room for a rebound in the short term, while futures positioning indicates that the market is short, but not markedly.

SHORT POSITIONS ON BUNDS HAVE BEEN OPENED IN THE LAST TWO YEARS

AVERAGE PRICE OF FIRST TWO 10Y BUND CONTRACTS ALONG WITH THEIR COMBINED OPEN INTEREST

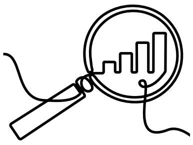


Source: Bloomberg, The Investment Institute by UniCredit
Note: the average price is computed as the weighted average price of the first and second RX contract, with weights given by the open interest of the two contracts. Open interest: the sum of the open interest of the first and second RX contract, divided by 1,000. The spikes in open interest at the beginning of March, June, September and December are due to the expiry of the contract.

THE CONTEXT

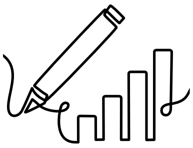
After breaching the 3% threshold at the beginning of July, the 10Y Bund yield has continued to rise and has exceeded 3.3% this week, its highest level since 2011. The most recent move has been fuelled by renewed tensions between the US and Iran, which have led to more hawkish market expectations regarding the depo rate trajectory. Last Friday's hawkish remarks by Fed Chair Kevin Warsh at Jackson Hole have also weighed on EGB performance.

With Bund yields navigating levels last seen 15 years ago, investors are assessing whether this year's headwinds, such as the energy shock, abundant supply by public and private issuers and macroeconomic uncertainty will push Bund (and EGB in general) yields even higher.



THE DATA

10Y Bund futures are currently trading at their lowest level since May 2011, with their price 7% lower than two years ago. Over this period, open interest – the total number of open futures contracts held by market participants – has risen. Falling prices coupled with an increase in open interest are typically associated with the opening of short positions. This has also been observed for other tenors of the Bund curve (2Y, 5Y and 30Y buckets) albeit with less intensity. Our positioning indicator – based on the correlation between open interest and futures price moves – indicates that the market is short but less markedly than during other sell-off episodes (e.g. after Russia's invasion of Ukraine). This is due to the fact that the decline in futures prices and the increase in open interest have been gradual over the past few months, limiting the room for a short squeeze – and therefore a strong rebound in the prices of futures – in the near term.



OUR VIEW

Selling pressure on Bunds is not an isolated event, with all government bond markets on slippery ground currently. The 10Y JPY yield has exceeded 3% for the first time since 1996, the 10Y UK gilt yield is hovering at 5.25% and the 10Y UST yield is not far off the 5% threshold last reached in summer 2007. The increase in government bond yields worldwide has been driven by the same factors: the energy shock due to the war in the Middle East, a hawkish tone by central banks, which aim to counter a reacceleration in inflationary pressure, still-solid economic figures, an increase in fiscal spending, sustained private investment (especially in AI) and higher macroeconomic and geopolitical uncertainty, which is pushing investors to demand a higher compensation.

We expect these headwinds to continue to weigh on Bund prices in the near term, and we cannot rule out that the 10Y Bund yield could even reach 3.5%, especially in the case of fresh geopolitical tensions. However, as highlighted in our *Coffee Break* – What would it take for 10Y Bund to reach 3.5%?, for the 10Y Bund yield to remain steadily at 3.5% we would expect to see sticky inflation for a prolonged period, a higher neutral rate and a more elevated term premium. As these substantial shifts are unlikely, in our view, we see room for the 10Y Bund yield to return towards the 3% area once geopolitical tensions and the energy shock subside.

TODAY'S DATA RELEASES

Time (CET)	Country	Data	Period	UniCredit	Consensus	Previous
15:45	CA	BoC announces key rate (%)	-	2.25	2.25	2.25

Source: Bloomberg, The Investment Institute by UniCredit

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