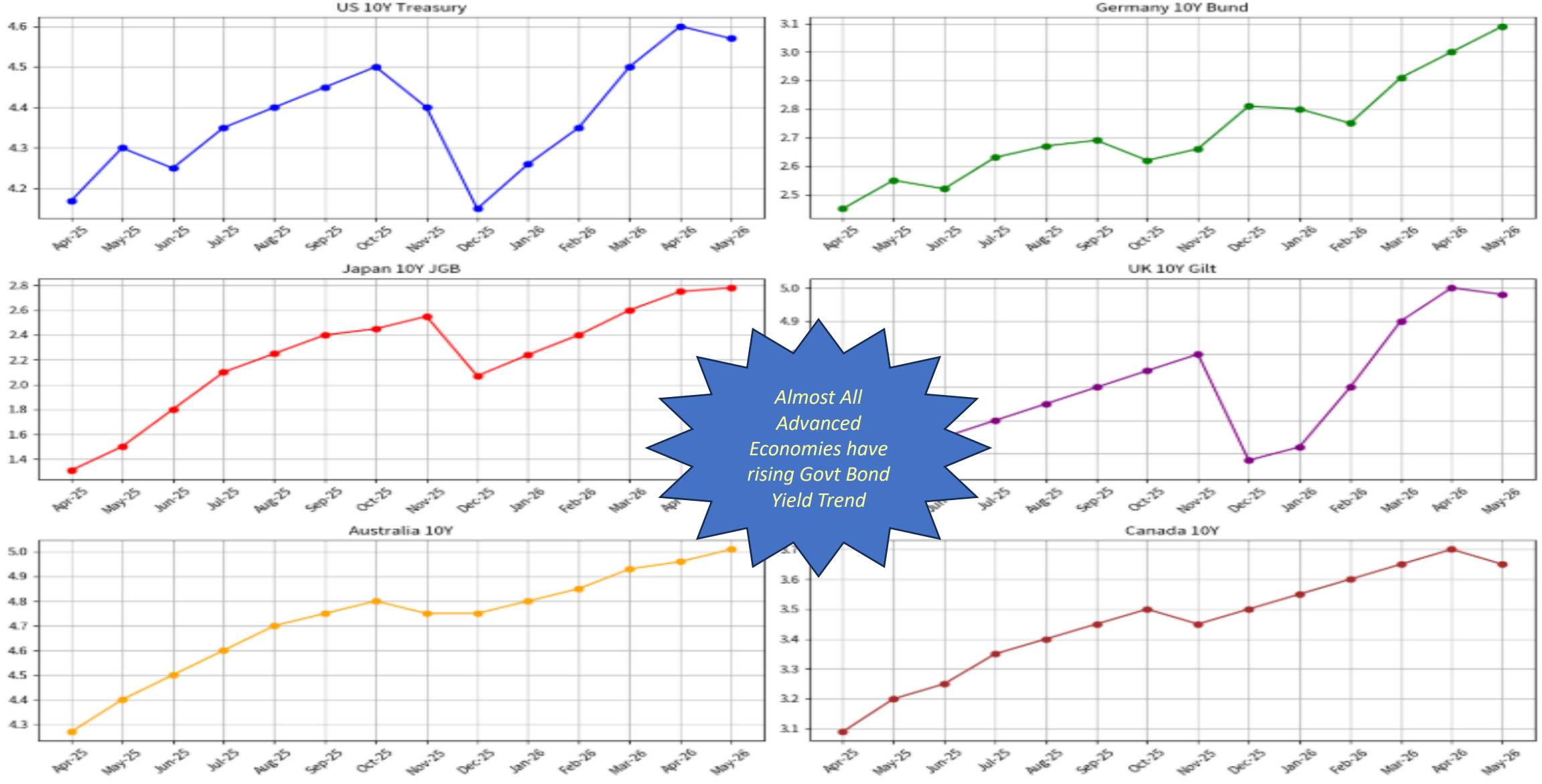


Rising Bond Yield Trend of Major Economies

(Pre War & Post War Scenario)

A Quick Comparative View of Govt Bond Yield of Major Economies

10-Year Government Bond Yields Trend Since April 2025



Rising yield of Major Economies : What it Means to Emerging Economies ?

RISING GLOBAL BOND YIELDS: WHAT IT MEANS FOR THE WORLD

Bond yields across major economies have risen sharply since April 2025, signaling higher borrowing costs, market volatility, stronger USD and potential stress for emerging markets.

1 HIGHER BORROWING COSTS

Governments, companies, and households all face strong expensive financing.

10-YEAR GOVERNMENT BOND YIELD (%)

	APR 2025	MAY 2026	CHANGE (BPS*)
United States	4.17	4.65	+48
United Kingdom	4.45	5.05	+60
Germany	2.47	3.10	+63
Japan	1.26	2.75	+149
India	6.46	7.00	+54
China	1.63	1.70	+7

*BPS (Basis Points) | 100 BPS = 1%

IMPACT ON ANNUAL INTEREST COST (Example)

	Government \$10 Billion Debt + \$480 Million (US)
	Investment Grade Corporates + \$122 Million (Per \$10B Debt)
	Mortgage (30Y) 6.25% → 6.86% +61 bps

2 PRESSURE ON EQUITY MARKETS

Higher bond yields reduce the attractiveness of equities, especially technology and growth stocks.

S&P 500 vs 10-YEAR US TREASURY YIELD



CORRELATION (APR 2025 – MAY 2026)

S&P 500 vs US 10Y Yield

-0.69

Strong inverse relationship: as yields rise, equities fall.

S&P 500 RETURN (APR 2025 – MAY 2026)

-5.6%

Total Return (USD)

3 STRONGER US DOLLAR RISK

Higher US yields attract global capital toward dollar assets, strengthening the US dollar.

DXY US DOLLAR INDEX



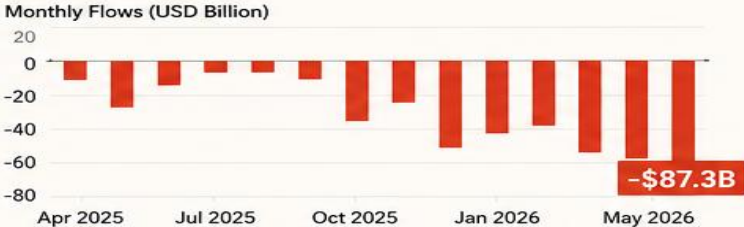
CAPITAL FLOWS INTO US ASSETS (Apr 2025 – May 2026)

	US Equity Funds	\$ +62.1B
	US Bond Funds	\$ +78.5B
	Total Inflows	\$ +140.6B
	% of Global Flows	61%

4 EMERGING MARKET STRESS

Countries with large external debt or weak currencies may face capital outflows.

EMERGING MARKET CAPITAL OUTFLOWS (Apr 2025 – May 2026)



VULNERABLE EMs (External Debt to GDP)

Argentina	45%
Egypt	39%
Turkey	38%
Pakistan	33%
Ghana	32%

EM CURRENCY INDEX* (Apr 2025 – May 2026)

-6.8%

Depreciation vs USD

*J.P. Morgan EM Currency Index

India's External Debt to GDP is 19 %

Source: Investing.com, Trading Economics, Bloomberg, EPFR | Data as of May 20, 2026



THE BIG PICTURE



Global borrowing costs are higher



Equities face valuation pressure



USD likely to stay stronger for longer



EMs face higher risk of outflows and currency stress

Country Specific Govt Bond Yield Analysis

US 10 Years Bond Yield Trends (May 2025 to 20th May 2026) , Japan Is the Biggest Story in Bond Markets !



The US 30-year Treasury yield has crossed 5%, the highest since 2007, while the 10-year yield is hovering near 4.6–4.7%.

Markets are worried that:

- ✓ Inflation may stay elevated,
- ✓ Oil prices may remain high,
- ✓ US fiscal borrowing is expanding rapidly.

US Treasury yields act as the “global risk-free rate.” When they rise:

- ✓ **global borrowing costs increase,**
- ✓ **capital flows out of emerging markets,**
- ✓ **equities face pressure.**

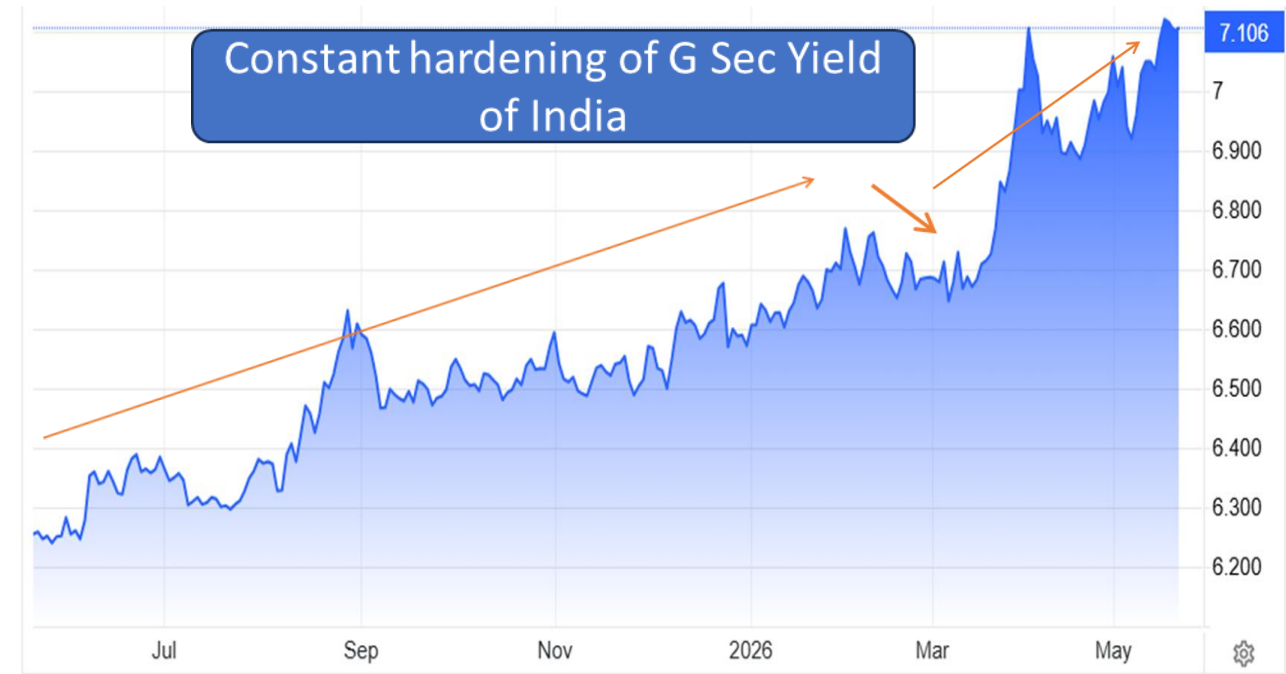


- ❑ Japan's bond yields are experiencing a historic surge after decades of ultra-low rates.
- ❑ The 10-year Japanese bond yield has climbed toward 2.8%, the highest in decades, while 30-year yields crossed 4%.

Main reasons:

- ❑ Bank of Japan is slowly exiting ultra-loose policy,
- ❑ inflation has returned,
- ❑ investors worry about Japan's huge public debt.

UK Bond Yield : Fiscal Stress is Visible ... Highest in Developed Market & India : Gradual Upward Movement



UK gilt yields are among the highest in developed markets:

- ❑ inflation remains sticky,
- ❑ fiscal sustainability concerns persist,
- ❑ energy shocks worsened bond selloff.
- ❑ 10Y gilt yields touched 5% for the first time since 2008

India's G-Sec yields remain comparatively stable despite global volatility.

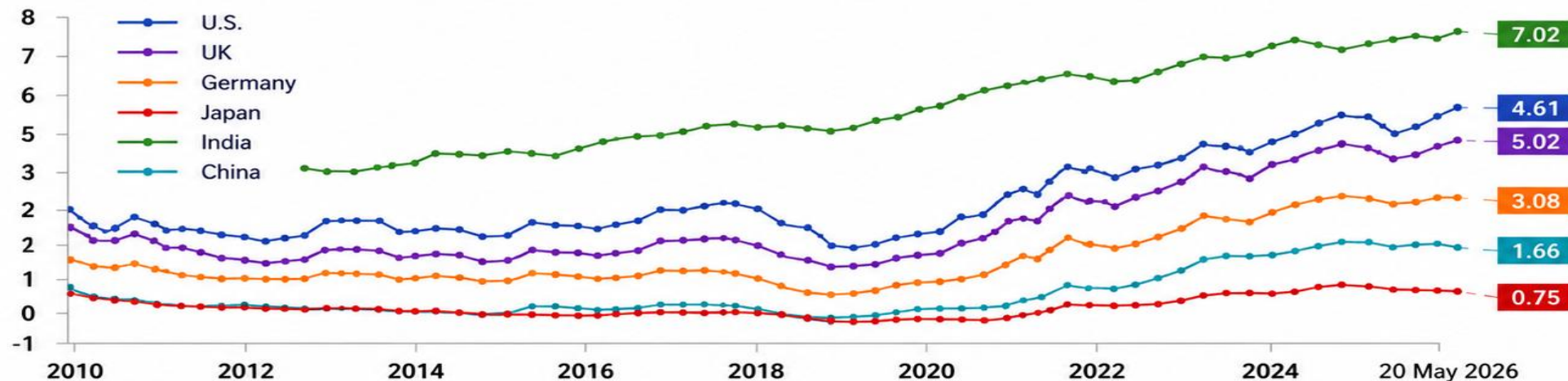
Key drivers:

- ✓ crude oil prices,
- ✓ government borrowing,
- ✓ imported inflation risks.
- ✓ RBI liquidity management has prevented a sharp spike.

Global Bond Market is Signaling a New Macro Regime !



1 END OF ULTRA-LOW INTEREST RATE ERA 10-YEAR GOVERNMENT BOND YIELDS (%)



LATEST 10Y YIELDS (AS OF 20 MAY 2026)

India	7.02%
UK	5.02%
U.S.	4.61%
Germany	3.08%
China	1.66%
Japan	0.75%

Note: 10-year benchmark government bond yields.

COMBINED AVERAGE 10-YEAR GOVERNMENT BOND YIELD (%)*

Average 2015–2019 (Pre-COVID Ultra-Low Era)	April 2025 (Actual)	20 May 2026 (Latest)	Change (Apr 2025 – 20 May 2026)
2.33%	4.12%	4.52%	+0.40 pp

Yields across major economies are at multi-year highs, far above the ultra-low levels of the 2010s.



The combined average is the simple average of 10-year government bond yields of six major economies: U.S., UK, Germany, Japan, India, and China.

AVERAGE CALCULATION DETAILS

Average 2015–2019:
 $(U.S. 2.15 + UK 1.31 + Germany 0.08 + Japan 0.00 + India 7.17 + China 3.27) / 6 = 2.33\%$
 April 2025: $(4.17 + 4.54 + 2.44 + 1.24 + 6.70 + 1.60) / 6 = 4.12\%$
 20 May 2026: $(4.61 + 5.02 + 3.08 + 0.75 + 7.02 + 1.66) / 6 = 4.52\%$

Note:
Yield levels fluctuate daily based on market conditions.

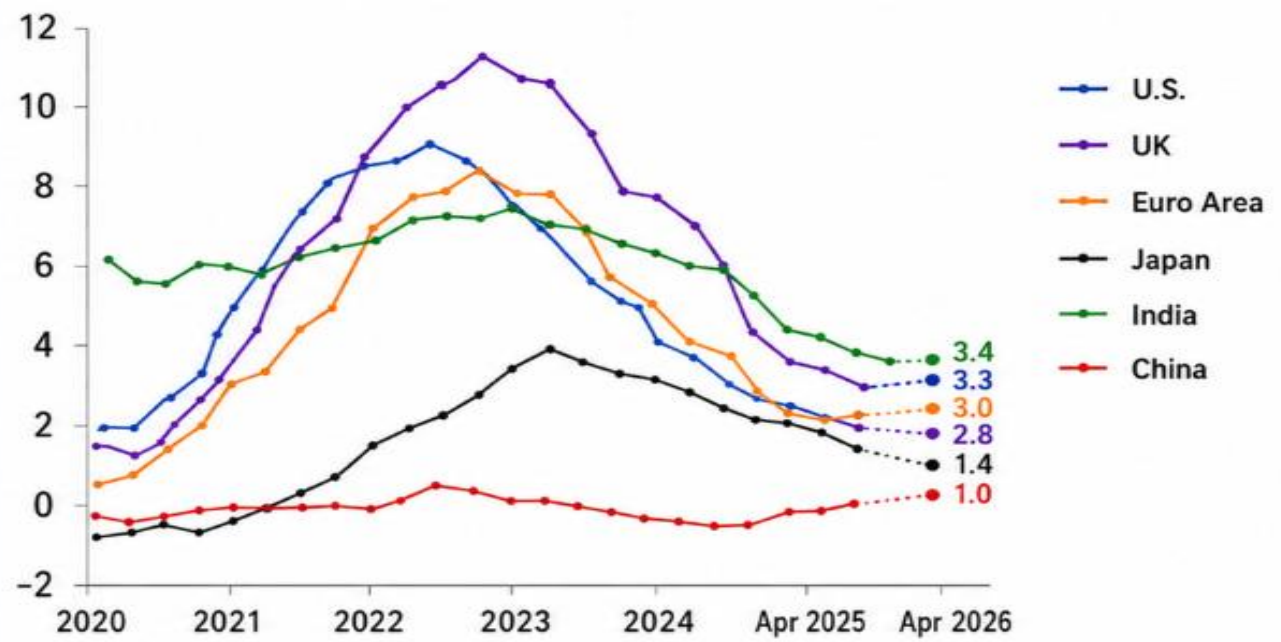
* Simple average of 10-year government bond yields of six major economies.

Source: Investing.com, Trading Economics | Data as of 20 May 2026

2

HIGHER INFLATION PERSISTENCE

CPI INFLATION (% YEAR-OVER-YEAR)



Inflation remains above central bank targets in most major economies.

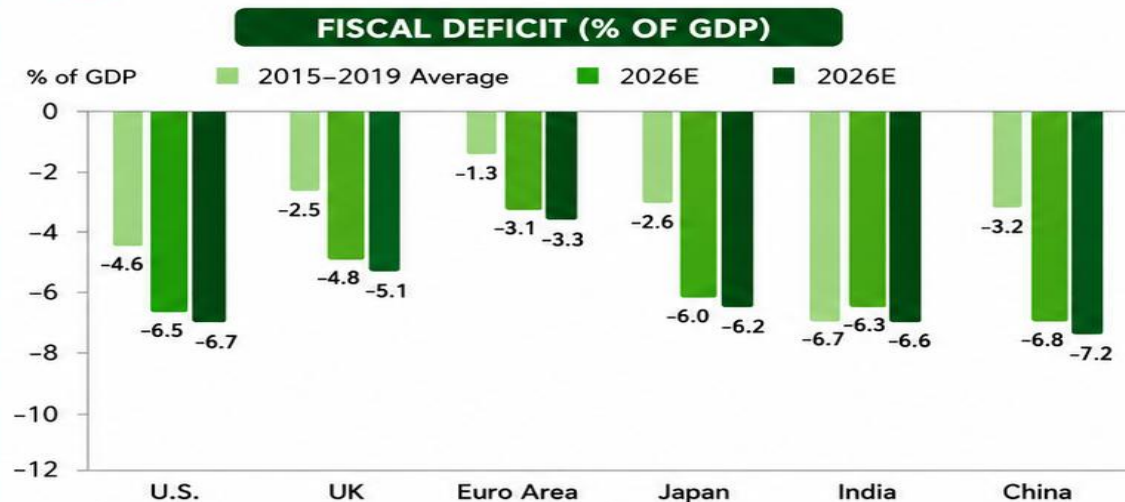
Source: IMF, Trading Economics | Data as of May 20, 2026

CPI INFLATION (% YoY)			
	2015–2019 Average	Apr 2025 (Actual)	Apr 2026 (Latest Available)
U.S.	1.6	2.3	3.3
UK	1.8	3.5	2.8
Euro Area	1.2	2.2	3.0
Japan*	0.6	3.5	1.4
India	4.6	3.16	3.4
China	2.1	-0.1	1.0

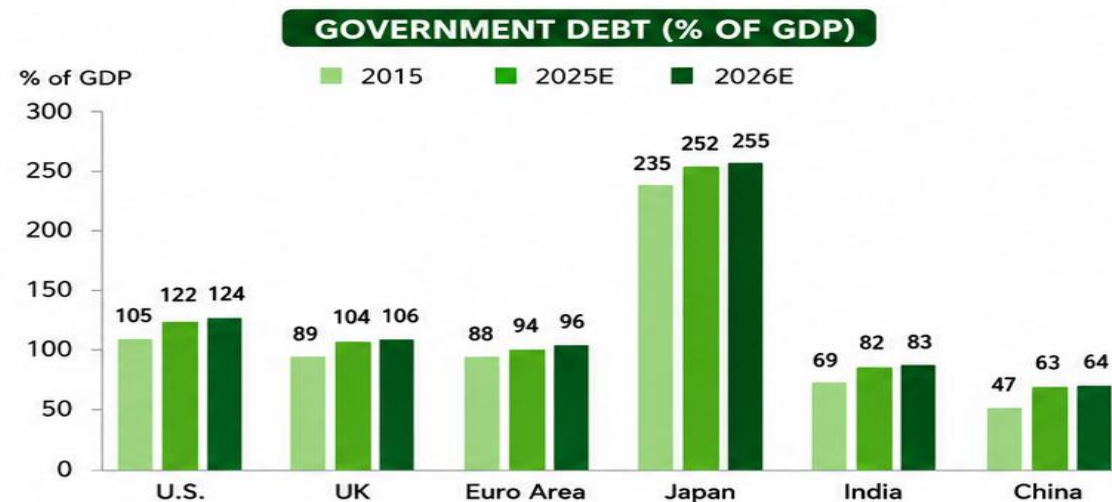
Inflation has re-accelerated in the U.S. and Euro Area in 2026, while the UK and Japan saw moderation. India's inflation remains stable, and China continues to see low inflation.

*Japan figures are Core CPI (Ex-Fresh Food).
Note: Apr 2026 data is latest available / flash estimate for most economies.

3 LARGER FISCAL DEFICITS AND HIGHER DEBT



General government fiscal balance (overall balance) as % of GDP. Negative values indicate deficits.



General government gross debt as % of GDP. (Official IMF definition)



Deficits and debt levels are rising across developed and emerging economies, driven by higher spending needs, aging populations, and slower growth.

DEFINITION NOTES

- Fiscal Deficit:** General government overall balance (as % of GDP).
- Government Debt:** General government gross debt (as % of GDP).

COMBINED AVERAGE OF SIX MAJOR ECONOMIES*

Average 2015-2019 (Pre-COVID Ultra-Low Era)	April 2025 (Actual)	20 May 2026 (Latest)	Change (Apr 2025 - 20 May 2026)
-3.35%	-4.50%	-4.80%	+0.30 pp

* Simple average of fiscal deficit (% of GDP) of: U.S., UK, Euro Area, Japan, India, and China.

AVERAGE CALCULATION DETAILS

Average 2015-2019:
 $(-4.6 - 2.5 - 1.3 - 2.6 - 6.7 - 3.2) / 6 = -3.35\%$
April 2025:
 $(-6.5 - 4.8 - 3.1 - 6.0 - 6.3 - 6.8) / 6 = -4.50\%$
20 May 2026:
 $(-6.7 - 5.1 - 3.3 - 6.2 - 6.6 - 7.2) / 6 = -4.80\%$

Source: IMF Fiscal Monitor (April 2026)
Note: 2025E and 2026E are IMF staff estimates.



U.S.



UK



Euro Area



Japan



India



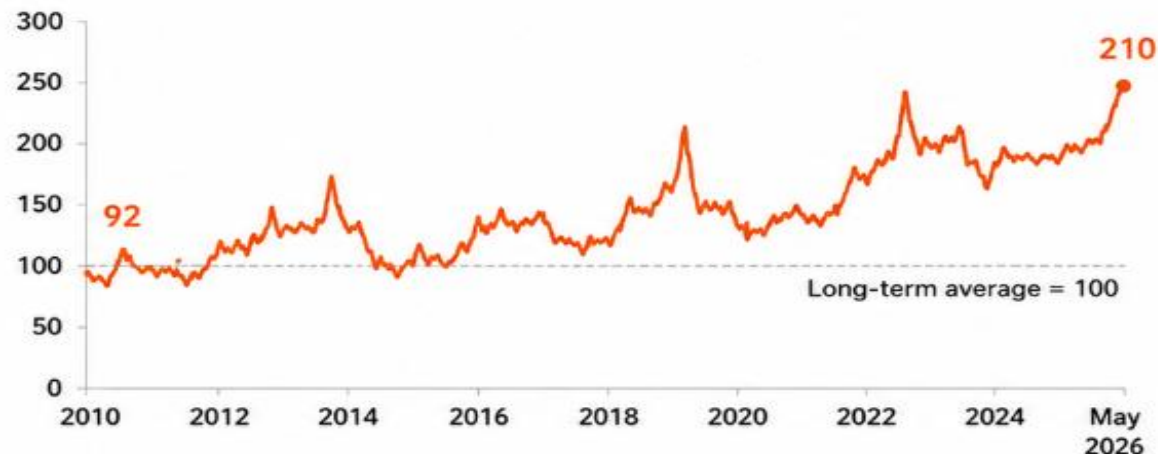
China

Latest data as of 20 May 2026

4 INCREASING GEOPOLITICAL RISK PREMIUM

GEOPOLITICAL RISK INDEX*

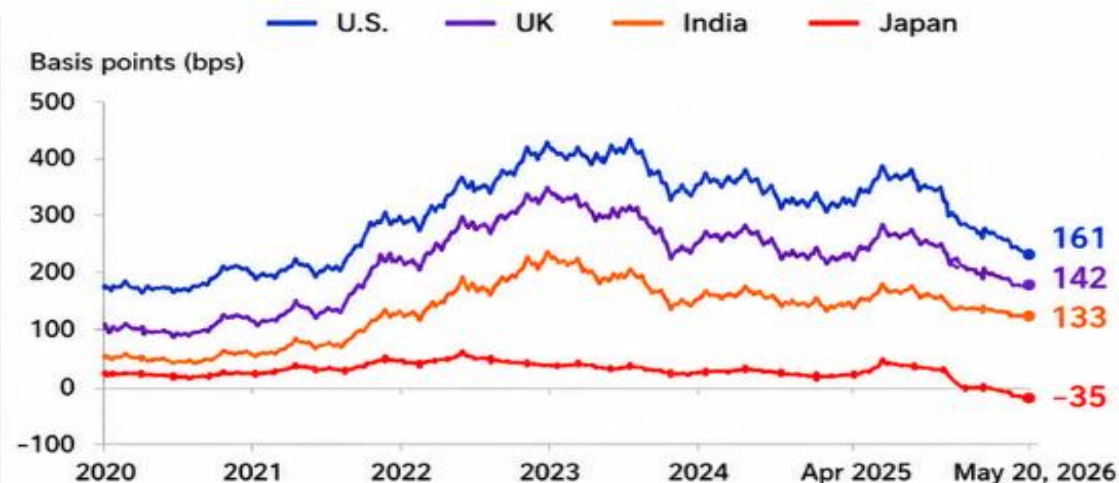
(Index, 100 = Long-term Average)



Geopolitical Risk Index is at 210 vs long-term average of 100, and still rising.

* The Geopolitical Risk Index is calculated by Caldara & Iacoviello (2022) and covers 12 newspapers from the U.S., U.K., Europe, and Asia.

10Y BOND YIELD RISK PREMIUM OVER GERMANY (BPS)



Sovereign CDS spreads have widened across the board, indicating higher default risk perceived by investors.

LATEST VALUES (AS OF MAY 20, 2026)

	U.S.	UK	India	Japan
10Y Bond Yield (%)	4.46	4.58	6.84	1.55
Germany 10Y Yield (%)	2.85			
Risk Premium over Germany (bps)	161	142	133	-35

Note: Risk premium = Country 10Y Yield – Germany 10Y Yield; 1 bps = 0.01%

SOURCES

- Geopolitical Risk Index: Caldara, D., & Iacoviello, M. (2022). *Measuring Geopolitical Risk*. *American Economic Review*, 112(4), 1194–1225.
- Bond Yields & CDS Spreads: Bloomberg

NOTES

- Geopolitical Risk Index is shown up to May 2026 (monthly average).
- Bond yield risk premium is as of May 20, 2026.

- Synchronized hardening of bond yields across major economies.
- Debt metrics worsening and geo-political risk premiums widening.
- Geo political risks and higher fuel/fertilizer subsidies to up fiscal deficit by 40 bps.
- Inflation above the 2% target across major advanced economies.
- States in India could be forced to lower VAT on fuel, causing combined deficit to breach 8%
- Risk of cutting on capex is high to minimize fiscal impact.
- Further fuel price hikes likely; CPI to be closer to 6% and repo rate hikes on the cards