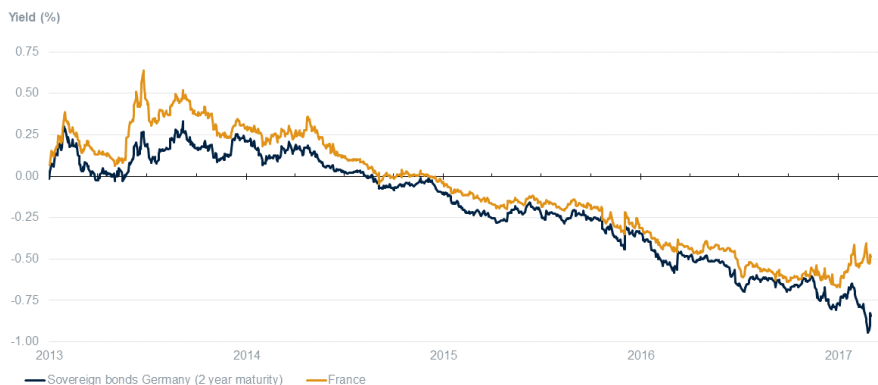


## Chart of the week

### Remarkable yield divergence between French and German sovereign bond yields

French and German short term government bond yields typically move in tandem, with French bonds offering slight higher yields compared to their German counterparts: between 2013 and 2016, this yield differential amounted to less than 10 basis points (0.1%) on average. Starting in January 2017, however, we have seen a remarkable divergence: yields of German bonds have dropped, while we witnessed an increase in French yields at the same time. To some extent, declining German yields may be related to technical factors: in the face of the ECB's purchasing program, some German bonds are becoming scarce. Nevertheless, we believe that the recent move in yields also reflects increasing concerns, especially among global investors, regarding the political outlook for Europe. Will the divergence continue? In our view, it all depends on changing probabilities for the outcome of the French elections.



Sources: Bloomberg Finance L.P., Deutsche Asset Management Investment GmbH; as of 03/02/17

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